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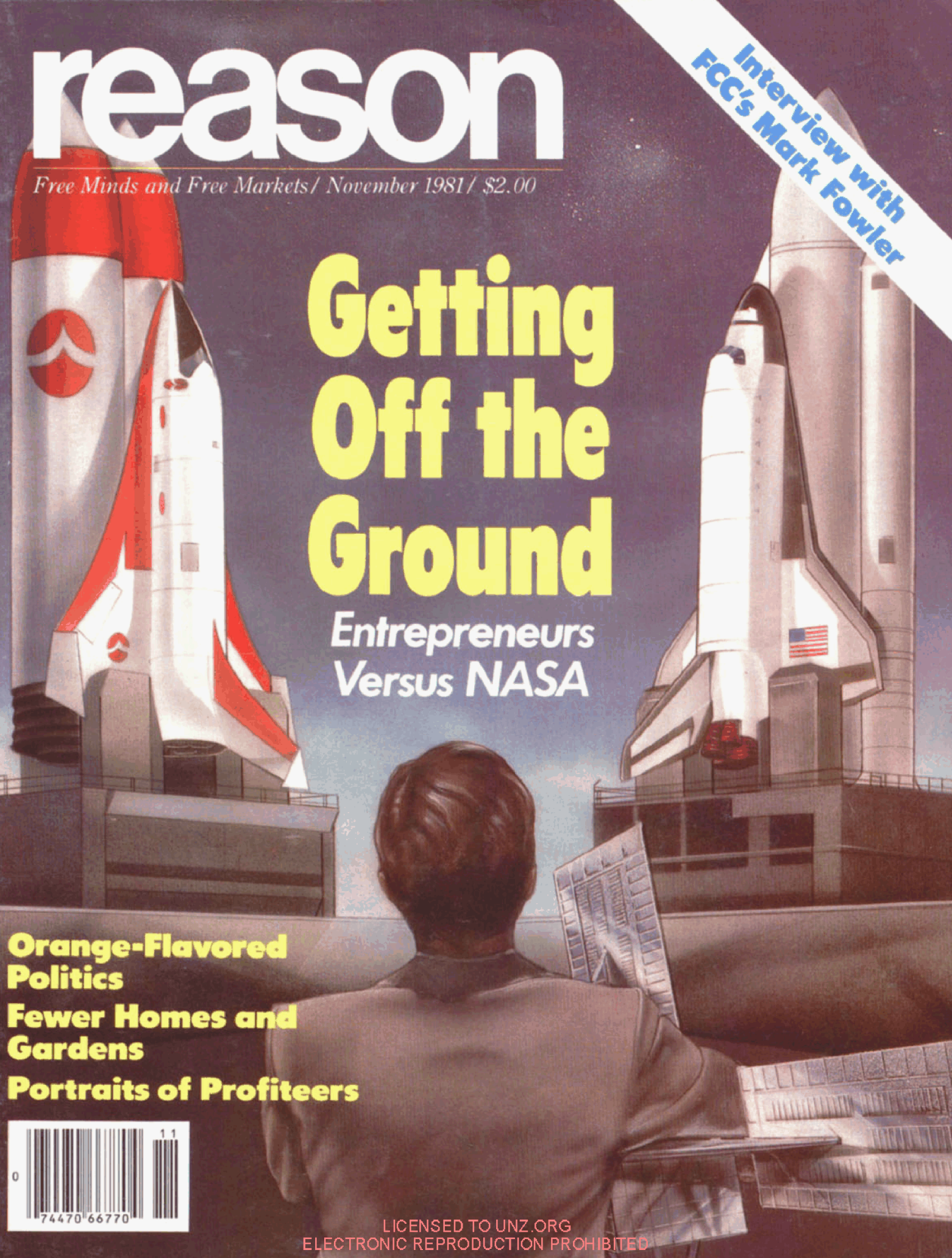

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NOVEMBER 1981/ VOL. 13, NO. 7

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Free Minds and Free Markets

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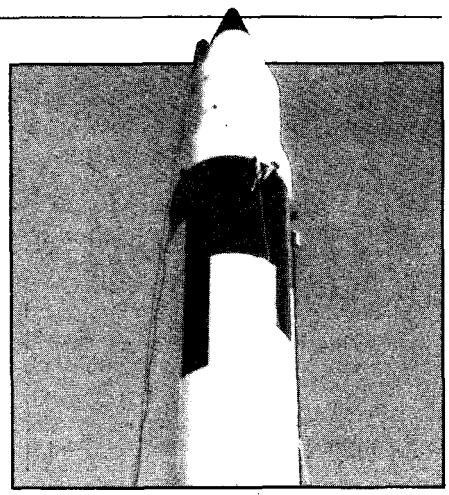

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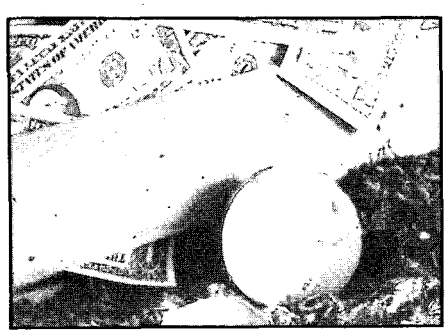

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editor's notes

I'm pleased to announce several additions to the ranks of *Reason* people. First of all, distinguished economist Walter Williams has joined the Reason Foundation's Board of Advisors. On the faculty at George Mason University near Washington, Dr. Williams also writes a nationally syndicated column. Popular author Tom Bethell makes his debut this month as a regular Viewpoint columnist, replacing Alan Reynolds (whose new position at Polyconomics, Inc., has proven quite time-consuming). Bethell is Washington editor of *Harper's* and was recently awarded the DeWitt Wallace Chair in Communications in a Free Society at the American Enterprise Institute. Also joining the ranks of contributing editors is Joe Cobb, director of economic analysis at the Council for a Competitive Economy and a long-time *Reason* contributor. Finally, to give better recognition for the work she's actually been doing, we have given Marty Zupan the new title of managing editor.

Our pathbreaking book on deregulation will make its debut October 21 at a Capitol Hill briefing. Already the endorsements are coming in from those who have seen the page proofs. "This book is a sure-fire antidote to regulatory fever—authoritative, lucid, crammed with both evidence and attractive alternatives," says Nobel laureate Milton Friedman. "*Instead of Regulation* is the most thorough debunking of government regulation yet assembled between two covers," adds former Treasury Secretary William E. Simon. Presidential domestic policy chief Martin Anderson calls it "a thought-provoking book that is bound to have an impact on future public policy." I'm convinced that we have put together here *the* definitive work on deregulation. As supply-side economist Arthur Laffer puts it, "*Instead of Regulation* sets out the agenda for deregulation in the 1980s."

Advance copies of several of the chapters are already circulating in Washington, and one—Peter Aranson's chapter on the Environmental Protection Agency—is available as a monograph from the Emory University Law and Economics Center. The entire volume will be available from the Reason Foundation in November at the publisher's price of $25.95 (California residents please add six percent sales tax).

REASON's circulation is still on the upswing. With this issue it passes the 25,000 mark (and is still climbing). Since our pass-along rate is between two and three, that gives us a monthly readership of between 50,000 and 75,000.

REASON stories continue to have an impact. Our exposé of NASA's end-run around Congress on their Search for Extraterrestrial Intelligence (SETI) program (Aug.) caught the eye of Sen. William Proxmire (D-Wisc.), who had awarded the whole thing a Golden Fleece in 1979. "It is hard enough to find intelligent life right here in Washington," exclaimed Proxmire in the Senate during debate on the new federal budget. He introduced an amendment to prevent the use of NASA funds for SETI, and the amendment was approved by the Senate.

Our August cover story on the private streets of St. Louis continues to receive notice. John Chamberlain devoted a syndicated column to it in August, lauding the "St. Louis Solution" and pointing out White House interest in the idea. Story editor Marty Zupan and author Ted Gage were interviewed by CKWX radio in Vancouver, and the *Sacramento Bee* printed a condensed version in its Sunday Forum on August 16.

Meanwhile, REASON people have been quite visible. Eric Zuesse, author of "Love Canal: The Truth Seeps Out," delivered the keynote address at a two-day media conference sponsored by the Institute for Toxic Waste Management at Tufts University on August 30. Money columnist Steve Beckner had an op-ed piece titled "Hong Kong's Success" in the Sunday *New York Times* on August 2. Two weeks later, my own op-ed piece, "Maybe It's Time to Dismiss the FAA," appeared on that same page. The article, urging privatization of air traffic control, led to a 10-minute interview with Noah Adams on National Public Radio's "All Things Considered" and to a half-hour talk-show appearance on Seattle radio station KUI on August 20. Finally, Senior Editor Tibor Machan's article, "Our Black-and-White View of Latin America," graced the editorial page of the *Wall Street Journal* on August 26. Who says summer is for lolling at the beach?!

—R. P.

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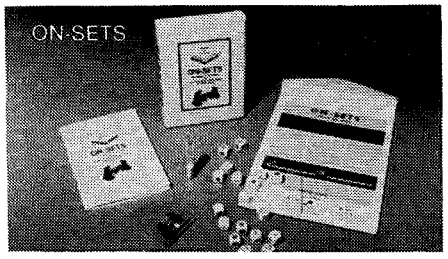

The Game of Set Theory, by Layman E. Allen, Peter Kugel (M.I.T.), Martin Owens (Mitre Corp.). This 30-game package can instruct students in kindergarten through high school in basics of set theory as well as extend a challenge to any adult exploring "new math." Encourages players to enjoy mathematics while learning concepts of union, intersection, logical differences, complement, identity, inclusion, null and universal sets. 2 to 4 players. **$13.00***

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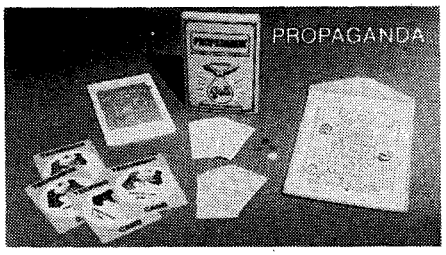

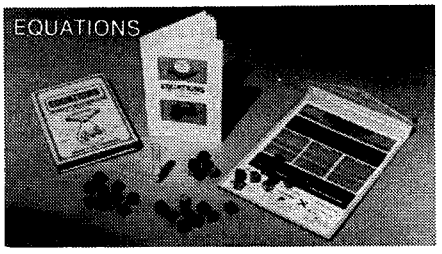

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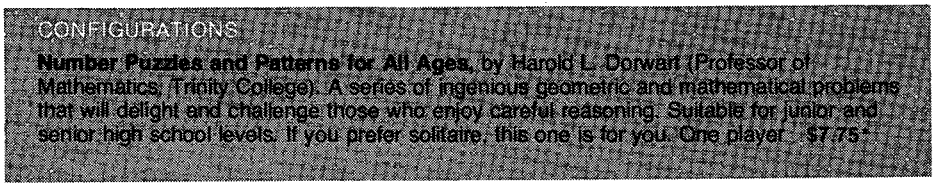

Number Puzzles and Patterns for All Ages, by Harold L. Dorwart (Professor of Mathematics, Trinity College). A series of ingenious geometric and mathematical problems that will delight and challenge those who enjoy careful reasoning. Suitable for junior and senior high school levels. If you prefer solitaire, this one is for you. One player. **$7.75***

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Getting Serious about the Economy

editorial

DESPITE THE PASSAGE of President Reagan's tax-cut and spending-cut programs, interest rates remain stuck at the 20 percent level. As long as rates remain that high, companies will be unable to invest the vast sums needed to modernize their plants, creating new jobs and restoring American competitiveness with healthier economies abroad. Already, critics are pointing fingers—at the Fed, at supply-side theorists, at Wall Street. All of these critiques miss the mark.

Interest rates are high because the financial markets are not convinced that government economic policies have *really* changed. Government spending has been "slashed" by far less than the drop in government revenue from current tax-rate cuts—*if* those cuts failed to stimulate increased investment. Through 1986, absent supply-side revenue effects, the new rate cuts would mean $733 billion less in government revenues.

Because those supply-side effects will take time to occur, in the short term there could indeed be increased federal deficits. And deficits lead to one or both of the following: either the government borrows more money, crowding out private borrowers, thereby reducing productive investment; or the Fed monetizes the debt, in effect printing extra dollars. Since inflation is too much money chasing too few goods, either outcome is inflationary.

Wall Street's reaction is understandable. Given a national debt that just passed $1 trillion, a Federal Reserve that has exceeded its money growth targets four times in the past four years, a Congress that considers it a revolution to cut the rate of increase of federal spending, and an administration that seems determined to give the Pentagon a virtual blank check, it is not at all surprising that bond traders are skeptical.

True, the tax-rate cuts did not even begin until October 1; and yes, it does take time for people and firms to change their financial plans. But Wall Street is rightly skeptical of a "free-market" administration that can only promise to balance the budget by its fourth year in office. If you think that sounds disturbingly like what Jimmy Carter promised in *his* first year, welcome to the club.

What is needed is a fundamental break with the past—that is, with generations of welfare/warfare state big government. A program to restore a healthy economy, then, would be something like the following.

The first step would be to get *serious* about cutting back on government. That means doing more than trimming agency budgets and looking for "waste, fraud, and abuse." It means *abolishing* the legions of pork-barrel projects and special-interest programs by which we are all taxed to subsidize any interest group with a Washington office. Donald Lambro itemized $100 billion of such useless parasites on the body politic in his book *Fat City*: such gems as revenue sharing (since when do the deficit-ridden feds have excess revenue to share?) at $6.8 billion a year, the Small Business Administration ($2.3 billion), the notoriously wasteful EPA sewage treatment grants ($3.4 billion), farm subsidies ($13 billion over four years)—the list goes on and on. There are also hundreds of useless boards and commissions (for example, the US Metric Board at $3.1 million) that were untouched by the so-called slashing of the federal budget. And a recent mailing from Baylor University advertised one-day short courses on tapping into *$100 billion* in direct and guaranteed government loans still available *after* the Reagan cutbacks.

The second step toward economic recovery would be to take a hard look at this country's *true* defense requirements. The place to begin is with our military alliances with Europe and Japan. Thirty-five years after the end of World War II, it is absurd for US taxpayers still to be paying the lion's share for the defense of what have become our strongest economic competitors. A strong mutual defense, yes. But on terms that are *mutually* advantageous. It is Europe and Japan that are critically dependent on Middle Eastern oil, for example, not the United States. Why should US taxpayers bear the burden of adding that region to our defense perimeter?

Only after such issues are resolved can we define what strategic and tactical weapons systems are needed for our own defense. One thing we can be sure of is that they would cost a lot less than the $1.5 trillion the administration hopes to spend over the next five years. As the *Wall Street Journal* recently put it, it makes little sense to "keep pouring more and more resources into a fundamentally flawed structure."

The third ingredient for recovery is a restoration of sound money—and that means the availability of a currency convertible into gold. With increasing attention being paid to the recently appointed Gold Commission, even the *New York Times* is giving space to gold advocates such as Lewis Lehrman. And it's certainly a sign of the times when the normally Keynesian and solidly establishment *Business Week* devotes a cover story to the gold standard (September 21) and even concedes, editorially, that the administration "should not rule out a link to gold as the time-tested way to build faith in a currency."

The worst thing we could do is to opt for more intervention, as Senate majority leader Howard Baker and House GOP leader Robert Michel began urging in September, advocating credit controls and a new tax on interest. Interest rates are stuck because government plays far too big a role in the economy as it is. Only by drastically shrinking that role can we get the economy moving again. Abolishing government programs, rethinking defense needs, and restoring sound money will solve the interest rate debacle—not just this year, but on into the future.

Robert Poole, Jr.

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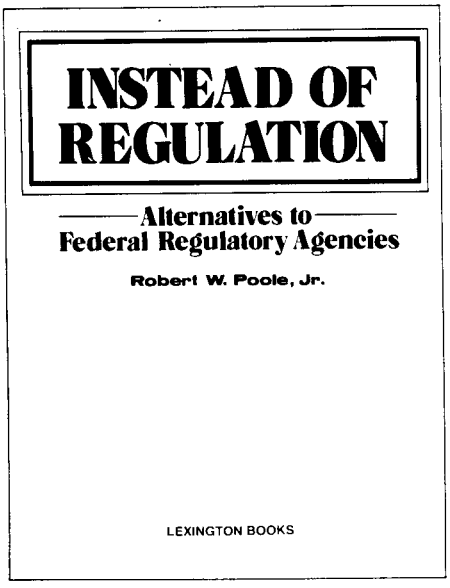

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letters

On the Street Where I Lived

While attending law school at St. Louis's Washington University, *circa* 1970, I lived with a family in a large house on Washington Terrace, a private street which had been established in the 1890s. (Washington Terrace is not marked on the map in your August article but is located one block south of Delmar and extends west from Union Boulevard to Clara Avenue.)

Washington Terrace is actually a subdivision that has various restrictive covenants running with the title to the subdivided lots. A Homeowners' Association was created by the developer at the time of subdivision. It is governed by a board of trustees which has the power to impose regulations, to enforce the restrictive covenants, and to levy association fees. Some of the restrictive covenants are no longer enforceable (for example, restrictions on the race and the religion of the persons who can be homeowners).

Of those that are left, one of the most significant is the requirement that the properties can be used only as single-family residences. This restriction has maintained the single-family character of the street. (The fact should be noted that the homes on Washington Terrace average between 15 and 25 rooms and could have been converted into multi-family units, as has occurred on Washington Boulevard, across Union Boulevard to the east, in the absence of such a restriction.)

The limitation of public access to the neighborhood is the key which has made Washington Terrace and the other "private places" oases of suburbia in a desert of urban decay. By means of the restrictive covenants and the ability to limit public access to the common areas of the subdivision, the homeowners can control their immediate neighborhood. . . . In addition to the fences and walls, the Washington Terrace Homeowners' Association employed a watchman who patrolled the street with his nightstick and Weimaraner, a factor which added to the security. The sense of security was also enhanced by the communication link that was provided by the homeowners' association newsletter and the annual "block party." Thus the residents were able to know who their neighbors were and who belonged there and who did not. Moreover, the newsletter, as well as the association meetings, provided a forum where homeowners could discuss matters of interest to the neighborhood.

Although the closing of streets to public traffic is a step in the right direction, it is not enough by itself to fully protect the neighborhood. Restrictive covenants and the enforcing mechanism of a homeowners' association are also required. Unfortunately, the creation of such covenants and associations *after* subdivided lots have been sold to diverse owners is a difficult thing to accomplish. Among other things, the consent of each owner must be secured—and such unanimous consent is almost impossible to get. . . .

I am pleased to learn that the "private places" are continuing to flourish and that the concept is expanding to new neighborhboods in spite of the legal difficulties. The existence of private neighborhoods in the "near West End" area of St. Louis makes it possible both to enjoy those wonderful old homes which exhibit a building art that no longer is seen in contemporary construction and to tolerate living amid unbelievable urban decay.

Peter M. Kuetzing
Ventura, CA

The Costs of Waste

Professor Beckmann's article, "Nuclear Waste: Can We Contain It?" (Sept.), was truly refreshing. There is, however, an additional point which ought to be brought out in the comparisons. That is the relative worth of energy per unit of wastes produced. A coal-fired plant using 9,000-BTU lignite produces one kilowatt-hour of electricity (worth about a nickel) alongside one to two kilograms of wastes. That doesn't allow much money for dealing with the disposal prob-

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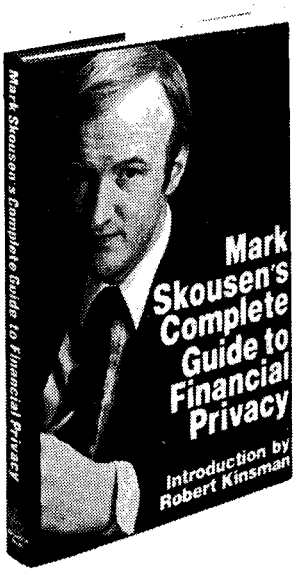

HOW TO MAKE YOURSELF INVISIBLE TO THE I.R.S.

A Message from Mark Skousen

Three years ago I met a field auditor with the Internal Revenue Service. At social gatherings, when the talk got around to the mess in Washington and everyone's gripes about the government, he would interrupt with, "Now what did you say your social security number is?"

He was joking—or so he said. But his words set me thinking. *If the government can catch me with a number, then the power to tax is indeed the power to destroy.*

I began to study the situation. I was appalled to discover how much the government and business groups could find out about my personal and financial affairs *without me even knowing it.*

But I also learned that there were steps I could take—perfectly legal steps—to keep the snoops out of my life.

Then, as I got deeper into the problem, I realized that other men and women were troubled too. They were angry, but they felt helpless to do anything about it. When I told them the simple steps they could take, for example, to protect their social security number most of them just wouldn't believe me, until I actually proved it. One friend suspected his boss was spying on him. I showed him a free, easy way to find out whether his office phone was bugged. A friend of my wife's was having trouble with her husband. He was living beyond their means, spending their savings on heaven knows whom. I was able to show her how to store her valuables safely, outside her home and her safe deposit box.

But one thing I learned after three years of research. *Nobody had ever written a book about how I could protect my privacy.* It seemed that everybody was afraid of what the government would do to him.

Well, I don't consider myself a hero, but I decided to take on this project myself. After all, I am not doing anything illegal—or recommending anything illegal. My book is not for criminals. (They already know all the illegal methods.) It is for concerned citizens who *don't* want to break the law, but want to do everything possible to keep the government, business competitors, or prying relatives out of their private lives and their financial affairs.

My publisher calls the book **Mark Skousen's Complete Guide to Financial Privacy.** If secrecy, financial and otherwise, is one of your concerns, I'm certain my book will help you, in dozens of ways. For example:

1. 5 reasons why you need financial privacy now.
2. How to make sure your larger checks are *not* available to the government.
3. Treasury rules on foreign bank accounts: 5 promising *legal* loopholes.
4. 2 little-known tricks for preserving privacy even with a listed phone number.
5. How to learn what data a credit bureau is furnishing about you.
6. 2 ways to get a sizable loan without collateral and without revealing the purpose of the loan.
7. Risks you should *not* take to maintain privacy.
8. How to mail money out of the country anonymously.
9. The 10 best ways to hide your valuables.
10. You *can* avoid probate, and the harmful publicity that goes along with it.
11. The terrible powers of the IRS.
12. Sample contract to assure bank privacy.
13. The benefits of a (perfectly legal) fictitious company checking account.
14. The 6 best tax havens. Advantages and disadvantages of each. 6 common reasons for using a tax haven.
15. How to use money orders, cashier's checks and travelers checks to enhance privacy. How to avoid the pitfalls.
16. How the post office can monitor your mail.
17. IRS devices to learn more about you.
18. The joys of a diplomatic passport. 3 ways a nondiplomat may get one.
19. Mexican banks: there's privacy, but also risks.
20. Advantages of foreign accounts even where there is no secrecy.
21. Project Haven, and the illegal behavior of IRS agents.
22. Money couriers: many work for the underworld, but some don't.
23. U.S. and Nazi tax laws: one disturbing similarity.
24. An expert's rundown on alarms and security devices.
25. Advantages—and risks—of a second passport.
26. The positive side of the so-called Bank Secrecy Act.
27. Ways *anyone* can spy on you—legally!
28. Swiss banks: still secret, in most circumstances. The 35 crimes that allow the Swiss to reveal bank secrets. Large and small Swiss banks—which are better?
29. 2 legal ways to take a large sum out of the country *without* reporting it.
30. 3 ideal investments for maintaining privacy.
31. Your investments: those that get reported to the IRS; those that are *not* reported.
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Yes, my book *can* help, in countless ways. Proof: send for it. If you don't agree, my publisher will give you your money back.

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lems. Ordinary light-water nuclear reactors yield over 228,000 kilowatt-hours per kilogram of wastes produced, and that much electricity sells for $11,400 at the rate mentioned above.

That is the main reason we can afford to go to extremes in the waste disposal process for nuclear plant wastes and still show a profit in dollars as well as lives.

Hank Phillips
Austin, TX

Bureau Beefs

Your July 1981 edition contained an article by John Baden and Richard Stroup, "Saving the Wilderness." In it, there were two references to the Bureau of Land Management's (BLM) wilderness program that were incorrect. In the interest of keeping you and your writers up-to-date, I'd like to supply you with the correct figures.

On page 32, in column two, is the following statement: "In 1976 the Interior Department's Bureau of Land Management (BLM) was brought into the recommending process. By 1980, a total of almost 80 million acres had been set aside as wilderness." Although it was probably not intended, this implies the Bureau has set aside 80 million acres as wilderness during that four-year period. In fact, only 12,206 acres of public lands administered by BLM are currently designated as wilderness....

In column three is the statement, "Likewise, 60 million acres in the comparable BLM programs have been set aside as Wilderness Study Areas." As of June 1981, we currently have only 25 million acres in wilderness study areas. At this point, no recommendations have been made to Congress as to whether these areas are suitable or unsuitable for wilderness area designation. We are beginning in-depth studies which will compare each area's wilderness values with all other resource values and uses. This information, combined with public views and comments, will be used to develop our eventual recommendations to Congress. Only Congress has the power to designate land part of the National Wilderness Preservation System.

H. W. Riecken
Chief, Division of Wilderness and Environmental Areas
Bureau of Land Management

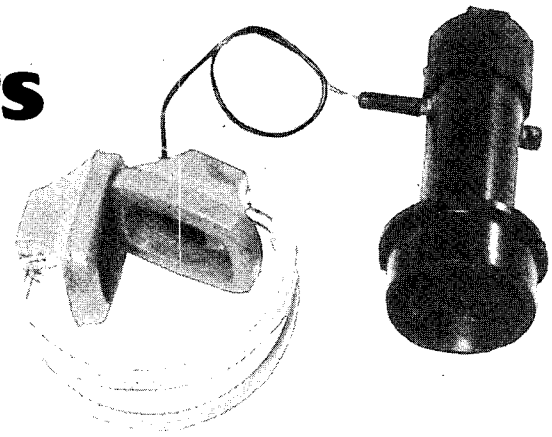
Mr. Baden replies: The first statement quoted by Mr. Riecken occurs at the end of a paragraph discussing acreage set aside as wilderness since passage of 1974 legislation. Hence, we are confident that the concluding sentence of the paragraph—"By 1980, a total of almost 80 million acres had been set aside as wilderness."—does not imply overzealousness at the BLM.

And we are pleased to note that the BLM has, by June 1981, reduced the number of acres in Wilderness Study Areas to 25 million. Although it *is* up to Congress actually to designate wilderness (as noted in our article), all lands in study areas must, by law, be treated as wilderness until Congress makes a decision (it has up to 11 years). That means that all development is prohibited on the 62 million acres under study by the Forest Service and the 25 million by the BLM (revised figure). Right now, therefore, 167 million acres—80 million wilderness and 87 million wilderness study—are unavailable for mineral development.

As we note in our article, only a small portion of this would have to be opened up to mining in order to alleviate the strategic minerals problem. Under our proposal—to turn wilderness lands over to environmental groups so that they could weigh the potential revenues from development against ecological merits—any such mining could be done under the watchful eye of the landowners/environmentalists. We would "get our minerals and keep our wilderness too"—but not, it is true, a bureaucratic/political decision-making process.

the hunters ear

BRINGS IN SOUNDS SHARP & CLEAR



Made for professional hunters to hear approaching animals at a great distance, the Hunter's Ear has now been discovered by the security industry. On city terrain, sounds leap across blocks and streets... approaching vehicles... voices. Guards are using it in prison courtyards to listen to convicts. The range of uses of the Hunter's Ear is astonishing and satisfaction is overwhelming. A solid state, electronic breakthrough, it weighs less than 2 pounds, is like holding up a flashlight, even lighter, and earphones have adjustable volume control. It works off a 9v tiny battery, is made for tough outdoor use and long life. You can listen to the breath of an elk over the hill, or of a person across the street! It's a sonar device for fogbound navigation. The uses are endless. Sold direct by mail for $135.00 and worth it. Order from:

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Twice Fooled?

Regarding Robert Poole's reply (Letters, Sept.) to a criticism of his editorial on El Salvador, he too, apparently, was using as sources the articles in the *Wall Street Journal* and the *Washington Post.* However, *Human Events* (July 11 and August 22 issues) claims that the articles' authors—Jonathan Kwitney and Robert Kaiser, respectively—had "admitted they had seen Agee's paper before they had written their articles." *Human Events* then goes on to enumerate a number of instances where the two articles closely parallel Agee's criticisms and "despite the remarkable agreement... Agee was never cited in either paper as a source or even a critic" (shades of the "plagiarisms" found in Braestrup's *The Big Story?*).

And who is this Agee? Of course, none other than *the* Philip Agee, *persona non grata* in Britain (at least). As for Agee, *Human Events* relates his assertion of

(Continued on p. 62.)

How To Profit From International Investments

There are two good reasons why you should internationalize your portfolio—*profit* and *security. Half the world's capital markets are already outside U.S. borders. Many of these markets are showing growth rates which would put Wall Street to shame.* And by *diversifying* your portfolio with investments in other countries, you're making yourself more secure—protecting yourself against political and economic problems in any one nation.

How much extra profit can you expect from an international portfolio?

In Japan investors in top-of-the-line companies are realizing spectacular gains. Last year Honda Motors stock increased by more than 100 percent. Sony shot up by 114 percent. And Fuji Photo, the Japanese equivalent of Kodak, rose an incredible 206 percent!

In Spain the stock market recently posted its largest gains since 1936. Shrewd investors watched their stocks rise by 10, 12, even 14 percent *daily.*

In Hong Kong real estate prices have been going through the roof. Despite the fact that China may not be willing to renew Hong Kong's lease (which will expire before the end of the century), Hong Kong has the highest real estate prices in the world. These prices may go still higher as Hong Kong becomes an even greater international commercial center.

In Latin America political strife and violence have dramatically driven down the price of productive agricultural land. But a few adventuresome investors are rapidly buying it up. When the trouble is over, they expect to make a fortune.

These are just a few of the many exciting investment opportunities the world has to offer. The fact is, the economies of many nations in many different parts of the globe are virtually exploding with growth. If you just picked a handful of stocks in those nations at random you might have a better chance of making a profit than if you carefully selected a portfolio of U.S. based companies only. For example, last year many of the *worst performers* listed on the Hong Kong exchange still did better than the *best performers* in the U.S. markets.

A new publication put out by Agora Publishing brings you a world of information and international investment opportunities each month. The publication is called *International Investor.* Written and edited in London, England, the financial capital of the world, it gives you concise, up-to-date information on international investment markets. You'll find out where the opportunities are, and how you can take advantage of them—*safely and profitably.*

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brickbats

☐ **The number of lawyers** in America has risen to a record high. In just the last decade, the ranks of the defenders of Justice, Equity, and Truth have ballooned 50 percent. There is now one attorney at liberty for every 410 Americans, up from one per each 700 citizens in 1960. The greatest single concentration of lawyers in the world occurs in the District of Columbia, where there lurks one barrister for every 64 people—excluding government attorneys-outlaw. (This high ratio is thought to be unconnected to the city's fearsome crime rate.) Experts on jurisprudence are unanimous in their opinion that the massive increase in the legal profession is responsible for the phenomenal increase in justice witnessed in America in recent years.

☐ **A judge in Dallas, Texas,** one Patrick E. Higgenbotham, has taken a great step to relieve the worst fears of both the women's lobby and the flesh-haters of America by outlawing as discriminatory the hiring practices of Southwest Airlines. The Dallas-based air carrier advertised its products with such titillating promos as "Here's to a perfect '10' " and calls for travelers to enjoy its "in-flight love." Ads on the telly featured hot pants–clad stewardesses distributing almonds ("love bites") and cocktails ("love potions"). A recent commercial spotlighted six flight attendants, all "10s," around a cake celebrating the line's 10th birthday; the slogan: "You ain't seen nothin' yet."

But 29-year-old Gregory R. Wilson had apparently always dreamed of dishing out the Southwest Air headsets, so he went to federal court to bully the bad boys into letting him don the fashionable hot pants outfit. The Honorable Higgenbotham held that sexual discrimination is not a "business necessity" for Southwest and rejected Southwest's plea that the spectacle of Mr. Wilson prancing down the aisle would be bad for business. It seems strange that this practitioner of juris-prudence would know so easily how best to satisfy the consumer demand for air transportation, particularly when Southwest Airlines has, according to the *Wall St. Journal,* "the highest operating margin of any U.S. airline." *Had,* that is.

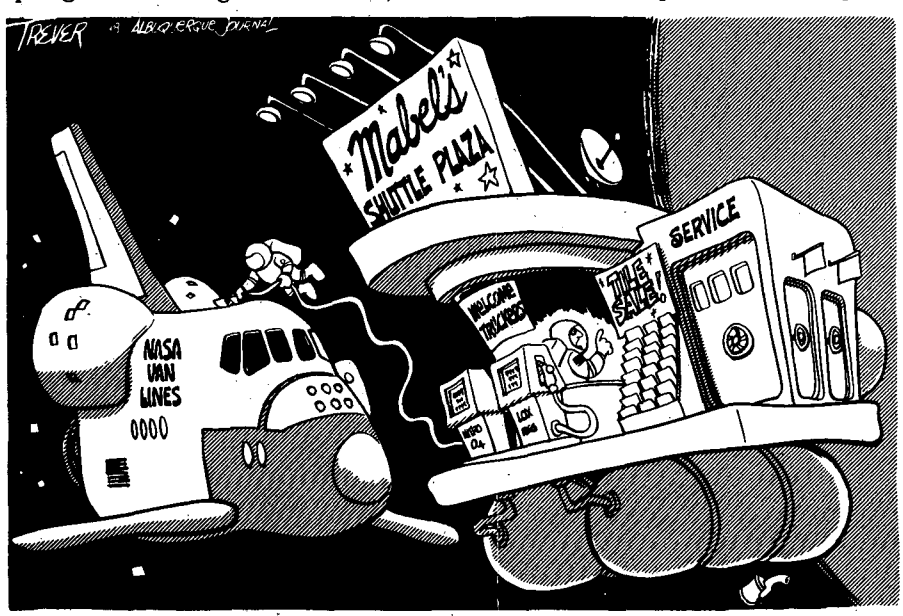
☐ **The Islamic Republic** of Iran has innovated yet another advance in the science of theocratic despotism: musical presidents. Iran's "supreme leader," the Ayatollah Ruhollah Khomeini, announced the unusual new government experiment in a fiery challenge to his opponents, much in the style of the charges used to hype a heavyweight championship bout. "If the president, God forbids, vanishes, you can replace him with another," boasted the Ayatollah. "There will be no disruption." And right he was, for when the president *and* prime minister of the ancient Persian paradise were dusted by a very modern explosive device just days later, the High Holiness who takes memos from God lost not a step. His State of Iran ploughed forth into another momentous week of mass demonstrations, crippling shortages, and embarrassing military defeats, just as it had been engaged even before the latest knock-out punch.

Some critics have described the scene in Tehran as chaotic, but they fail to see the genius of the Ayatollah at work. While issuing a brave dare to those who would oppose his rule, Khomeini cleverly pointed out: "What meaning does a coup d'état have in Iran?" Good question, ayatollah—but easy enough to answer. Think of all the fun it would be to run that exotic Middle-Eastern vacation playground with all those marvelous politically active citizens. Here in America, hardly anybody even votes. Over there, there isn't a soul left at work in the entire nation when the Wednesday afternoon rally gets rolling! Now that's caring! That's involvement!

☐ **Watch with whom you climb.** In another Great Step Up, the Iranian High Command has banned "mixed mountain climbing." (This refers to the practice, not of climbing mixed mountains, but of scaling peaks with a member of the opposite you-know-what.) "Because of numerous complaints," the regime announced, "the sport of mountain climbing is to be segregated soon between men and women." The sport of boxing was also put on the criminal list; but, presumably, this ban applies only to *segregated* boxing. Punching women remains graceful with God.

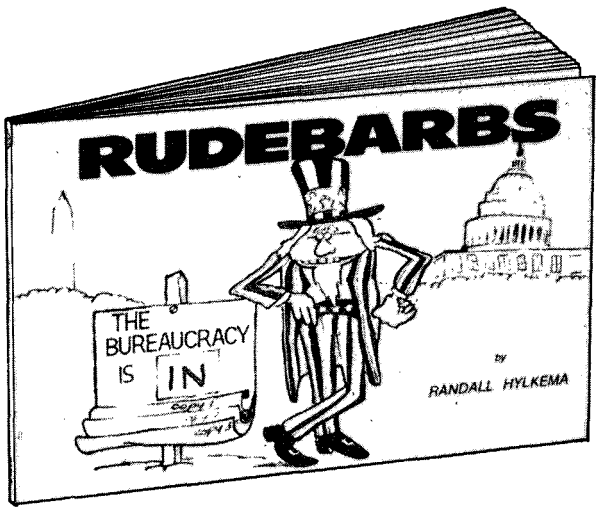
☐ **After the style of** the Irish hunger strikers, the American rock activist Mark David Chapman staged a hunger strike in his prison cell. The convicted killer of Beatle John Lennon, 26-year-old Chapman decided to refuse any food for two whole days, also refusing to make any demands. Not knowing the reason for the food strike, prison officials informed Mr. Chapman that he would not be permitted to starve himself to death. Upon hearing this news, according to the Associated Press, "officials persuaded him to eat a cheese sandwich." The strike was over.

—Thomas Winslow Hazlett



"GIMME FIFTEEN HEAT TILES AND A THERMOS OF COFFEE, MABEL— I GOTTA HAVE THIS RIG IN CALIFORNIA BY MORNING!"

Give REASONable Humor This Christmas!



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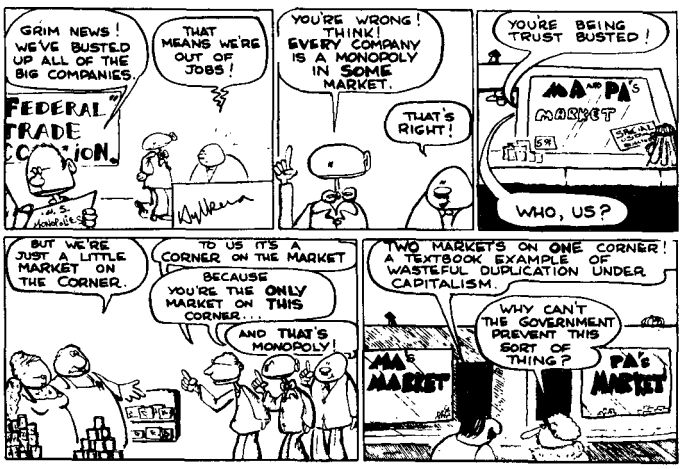
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THAT MEANS WE'RE OUT OF JOBS!
FEDERAL TRADE COMMISSION
YOU'RE WRONG! THINK! EVERY COMPANY IS A MONOPOLY IN SOME MARKET.
THAT'S RIGHT!
YOU'RE BEING TRUST BUSTED!
MA AND PA'S MARKET
WHO, US?
BUT WE'RE JUST A LITTLE MARKET ON THE CORNER.
TO US IT'S A CORNER ON THE MARKET
BECAUSE YOU'RE THE ONLY MARKET ON THIS CORNER...
AND THAT'S MONOPOLY!
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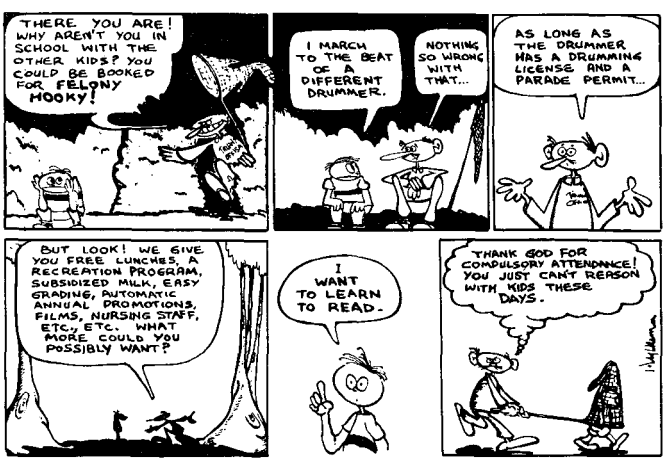
MA'S MARKET
PA'S MARKET


THERE YOU ARE! WHY AREN'T YOU IN SCHOOL WITH THE OTHER KIDS? YOU COULD BE BOOKED FOR FELONY MOOKY!
I MARCH TO THE BEAT OF A DIFFERENT DRUMMER.
NOTHING SO WRONG WITH THAT...
AS LONG AS THE DRUMMER HAS A DRUMMING LICENSE AND A PARADE PERMIT...
BUT LOOK! WE GIVE YOU FREE LUNCHES, A RECREATION PROGRAM, SUBSIDIZED MILK, EASY GRADING, AUTOMATIC ANNUAL PROMOTIONS, FILMS, NURSING STAFF, ETC, ETC. WHAT MORE COULD YOU POSSIBLY WANT?
I WANT TO LEARN TO READ.
THANK GOD FOR COMPULSORY ATTENDANCE! YOU JUST CAN'T REASON WITH KIDS THESE DAYS.

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trends

Voices from Space

New technology and new forms of service continue to proliferate in the burgeoning field of communications satellites. Among the most recent developments are satellite-based radiotelephone service, the first cable-TV-only satellite, and a plethora of direct broadcast satellite companies.

For the past five years NASA has been experimenting with satellites as relays for rural mobile radio services—for police cars, ambulances, forest-fire crews, and oil-platform operators, among others. Now, however, NASA thinks it's time to commercialize the service, moving it into the private sector. So it has hired Citibank to put together a financial analysis assessing such a service's probable costs and revenues. The contract marks the first time that NASA has hired a private financial advisor for such a task, according to the *Wall Street Journal.*

Out in California, meanwhile, Hughes Communications has come up with a new approach to communications satellites. Up till now all such satellites have been operated as common carriers, with transponders leased out on a first-come, first-served basis to any and all customers. But the Hughes Galaxy I will be different. According to president Clay T. Whitehead, it will be set up more like a shopping center. Hughes, as the center owner, will sell transponders to a compatible set of customers, all of them serving the fast-growing cable-TV market. Home Box Office has already signed up to purchase six of Galaxy's 24 transponders. Whitehead hopes to have all of them sold prior to the satellite's scheduled May 1983 launch.

Cable will be coming in for lots of competition, however, from direct broadcast satellites, which will bypass local cable operators, beaming TV signals directly to individual rooftop antennas. Fourteen companies had filed applications with the Federal Communications Commission by its July 16 deadline, seeking to reserve orbital slots for such satellites. Besides Comsat's Satellite Television Corp., the applicants included CBS, RCA, Western Union Telegraph, Graphic Scanning Corporation, National Christian Network, Inc., and eight new firms. Some of the firms plan to distribute teletext as well as video, and some plan to serve local TV stations (and in one case, movie theaters) in addition to homes.

Finally, the rooftop dish antenna seems to have arrived already. Equatorial Communications Co. announced in July that it will begin selling a two-foot-diameter antenna weighing just 15 lbs. The price? Just $2,500, about half the lowest price previously available. Stay tuned.

Alternative Medicine

As Dallas Cooley, M.D., pointed out in these pages ("How Do You Know Your Doctor's Not a Quack?" August 1980), the present system of medical licensing offers the appearance of protecting consumers while actually doing little to weed out incompetents. Frequently the system seems to be used as much to prohibit competition from unorthodox practitioners as it is to screen out genuine quacks. The alternative to government licensing, as Milton Friedman long ago suggested, is voluntary certification—by consumer groups or professional organizations, akin to the Underwriters Laboratory seal of approval on electrical appliances.

Although the idea is frequently dismissed as politically infeasible, a version of it is now being considered seriously in California. The basic concept is to retain the present state licensing system only for existing medical titles: doctors, nurses, chiropractors, osteopaths, podiatrists, etc. No one could use such a title without having the appropriate state license. But no longer would it be illegal for anyone *else* to practice medicine.

Lay midwives, herbalists, foot reflexologists, vitamin therapists, and other practitioners of alternative approaches to health care would be free from legal harassment by organized medicine and the state. People would pay their money and take their choice. Certification systems for the alternative fields would presumably develop in the marketplace, to identify those practitioners meeting various standards.

The new approach, called "title licensing," was proposed by the Public Affairs Research Group. The consulting firm was hired by California's licensing body—the Board of Medical Quality Assurance (BMQA)—to make an 18-month study of the present licensing system. After gathering data from all 50 states and hearing expert testimony from all quarters, the consultants defined six policy alternatives, ranging from complete deregulation (abolition of all licensing) to greatly increased regulation. After further review and hearings the alternatives boiled down to three: retain the status quo, increase licensing controls, or adopt title licensing.

Predictably, the California Medical Association opposes the latter alternative, considering it a license for quackery. But the BMQA's executive director, Robert Rowland, thinks the idea is worth trying. The present system, he maintains, does not screen out quacks very well, *and* it "has some major consequences in terms of limitations on freedom." Sometime this fall the board will decide whether to urge the legislature to adopt title licensing.

The idea has already been introduced in one state legislature. In July a consumer group urged enactment of title licensing by a special session of the Texas legislature, called to consider what to do about the pending expiration of the state's medical licensing under a "sunset law." The measure failed, under heavy opposition from organized medicine. Perhaps in California's laid-back, holistic atmosphere, this step toward deregulation will fare better.

Where Does Cancer Come From?

About 80 to 90 percent of all cancers are caused by factors in our environment. Right? Well, yes and no. The common impression of what this statement means—that chemicals in the workplace and carcinogens in the air and water are the leading causes of cancer—is just plain wrong. Such factors actually have been shown to account for only about *six percent* of all cancer in males and *two to three percent* in females.

The source of these numbers is the man who first made the calculations leading to the 80-90 percent figure: Dr. John Higginson, director of the World Health Organization's International Agency for Research on Cancer. When Dr. Higginson used the word *environmental* along with the 80-90 percent figure, what he had in mind was people's "personal environment"—principally

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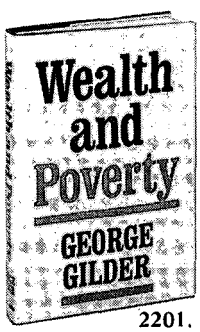

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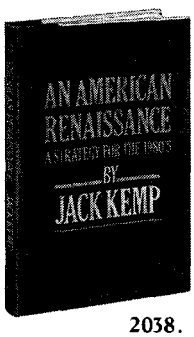

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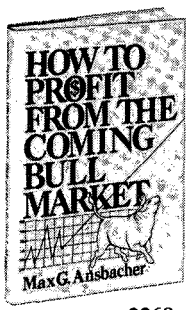

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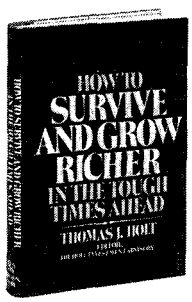

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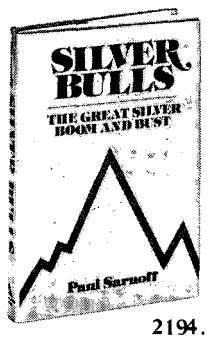

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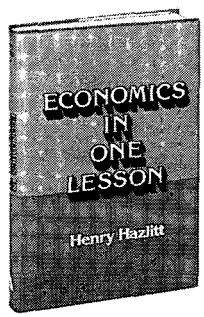

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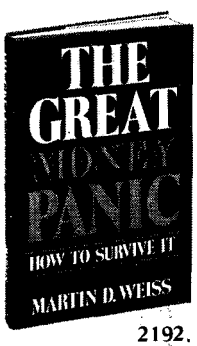

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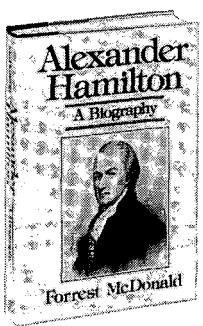

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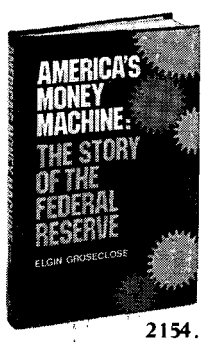

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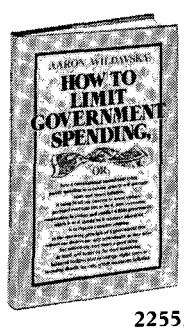

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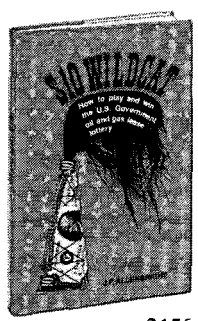

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smoking, alcohol intake, diet, and exposure to sunlight. It was Higginson's detailed, cross-cultural epidemiological studies in the 1950s that led him to conclude that such "environmental" factors were implicated in at least two-thirds of all cancer incidence.

The good news about this finding is that such factors are largely under the control of individuals. Each person can control his own diet, drinking, smoking, and sun-tanning.

In recent years Higginson has had to devote a lot of effort to correcting widespread misinterpretation of his findings. Many in the environmental movement have assumed that his work confirmed their fears about our air,water, and workplaces being laden with deadly carcinogens. So they castigated industry and demanded stringent controls. In fact, the best hope for reducing cancer incidence is *self*-control.

Freedom in the Skies

How well is airline deregulation working? There are several important indicators. The majority of fares are lower than they would have been under regulation. New airlines are sprouting up left and right. Aggressive competitors are making money. And deregulation is spreading to Europe.

A recent study by the Civil Aeronautics Board compared actual fare levels with those that would have prevailed under the CAB's previous ground rules. In the 100 largest markets, today's fares are 87 percent what they would have been under regulation; in the second 100 markets, the figure is 90 percent. Only in the smaller markets (which account for 43 percent of domestic revenue passenger miles) are fares higher, at 112 percent of prederegulation levels. The reason is that airlines no longer subsidize low-traffic routes out of profits on long hauls.

For the first time since creation of the CAB in 1938, totally new interstate airlines have come into being. Midway, Air Florida, New York Air, People Express, and Muse Air are already in operation, and the first three are already making money. Former intrastate carriers PSA and Southwest have gone interstate and are also profitable. And the preexisting regional carriers—Piedmont, Ozark, USAir (formerly Allegheny), Republic (which includes the former Hughes Airwest), Frontier, and Texas International are all making money as well, thanks to the freedom to restructure their route systems for more efficient operation. And the well-managed major trunk airlines, such as Delta, American, and Northwest, are also doing well in the free-market climate. The carriers that are losing money are the poorly managed ones—Pan Am (which includes the former National system), Braniff, Continental, and Western—which are having trouble coping without the protections of the CAB.

Pan Am, however, has come up with an idea that may enable it to compete more effectively with the lean new airlines. It's considering selling four excess DC-10s to its pilots and leasing them back to operate as a low-cost subsidiary. The new subsidiary would operate with new work rules and pay scales more like those of its nonunion competitors. The pilot-owners would receive depreciation tax breaks to compensate them for lower wage levels.

The success of US deregulation, and of Freddie Laker's low-cost transatlantic service, has inspired a British move toward deregulation. Called the Freedom of the Skies Campaign, it's headed by Nicholas Bethell, a member of the European Parliament. Pointing out that intercity fares per mile in Europe average *three times* those in the United States and that cross-Channel fares average *nine times* as much per mile as transatlantic fares, Lord Bethell has succeeded in getting the European Economic Community Commission to investigate whether member governments are operating an illegal cartel by setting air fares. Because official EEC action may take several years, he is also suing the EEC in the European Court of Justice, all the while conducting a campaign to build public support for deregulation.

The Daily Telegraph, for one, agrees. In an August 6 editorial, it lauded the success of US deregulation, commenting: "We could all do with similar freedom here."

Driving Energy Costs Down

What's the most cost-effective way to reduce energy use in transportation? Build urban rapid transit rail lines? Use electric bus systems? Send more highway trucks by piggyback? Each of these popular remedies would take billions of dollars in capital investment to save a few billion gallons of gasoline each year. Yet there *is* a way to save 30 billion gallons of gasoline a year without any significant investment of capital. How? By a shift to more fuel-efficient private automobiles.

That's the startling conclusion from a study by Carnegie Mellon University's Richard A. Rice, reported in *Technology Review* (Aug./Sept.). Comparing the potential fuel savings and investment cost of a number of alternatives, Rice found that evolutionary changes in automobile use, already taking place due to market forces, "dwarf...all other conceivably available energy savings by a factor of 10 to 20." The automobile holds such great promise because

- it is so widespread; a modest change (for example, downsizing) affects virtually all drivers within a decade or so (due to rapid turnover), and
- the changes in design—and required investment—take place anyway, in periodic model changes and product improvement.

By contrast, a program to build subway lines in 20 more cities would affect only a small fraction of the population *and* would require new capital investment that would otherwise not take place.

The much-maligned private auto wins again!

Banking Formula: Free Competition

The banking industry is hobbled by Depression-era rules and regulations that prevent it from coping with a host of competitors—foreign banks, credit card firms, retail credit operations, stock brokerages, and money market funds. Getting rid of the obsolete regulations is not merely a sensible course of action; it's a matter of survival for banking.

That, at least, is the point of view put forth by the Washington-based Council for a Competitive Economy. In a recent issue paper, CCE pointed out that the traditional barriers separating banking, insurance, consumer credit, and investment management are dissolving, thanks to new technology, high interest rates, and international competition. Unable to attract and hold depositors under these conditions, thrift institutions lost over $43 billion in the first half of 1981.

The much-discussed Deregulation and Monetary Control Act of 1980 made only token moves toward deregulation (phasing out interest rate ceilings over six years and allowing interest-bearing checking accounts). But its major provisions provided for further centralization of control in the Federal Reserve Board. And this, says CCE, will hurt rather than help the thrifts' attempts to survive.

That's because the present system of centralized bank regulation ignores the real world, making it almost impossible for the thrifts to compete against their unregulated competitors.

A January 1981 Treasury Department study ("Geographic Restrictions on Commercial Banking in the United States") found that true deregulation would yield many benefits, both for consumers (who would enjoy a greater variety of banking services) and for the institutions themselves (which would be able to meet the challenges of competitors). Evidence of such benefits includes the success of statewide branching, introduced in New York State several years ago without causing the destruction of local banks; the free banking system in Canada during the 19th century; and the competitive banking system in New England under the Suffolk Clearing System.

CCE's points were seconded recently at the annual summer meeting of the Committee for Monetary Research and Education. Economist Pedro Schwartz of the Instituto de Economica de Mercado gave a history of free banking, pointing out its advantages. And economist Alan Reynolds of Polyconomics, Inc., argued that competition in banking is coming anyway, as foreign banks and commercial firms find ways to make end runs around the banking regulations. "In short," he concluded, "I think that the power of the marketplace can and will undermine financial regulations, but the process would be far more orderly, less messy, and more efficient if the regulations were simply scrapped."

Defending Themselves

Increasingly, people are becoming aware of how much the defense of *other* countries costs American taxpayers. The price includes not merely upwards of one-half the defense budget but also the loss of sales to Japanese and German firms, whose production costs are lower because they don't pay the high levels of taxes for military spending that American firms do. Consequently, most Americans will welcome moves in Japan and Europe to take on increased self-defense responsibilities.

An important development on this front comes from Japan. Despite a post-World War II history of pacifism and a defense budget of less than one percent of gross national product, more and more Japanese are adopting the view that their government must reduce its dependence on the US military and take a more active role in defending their country. The *New York Times* reported in July that Japanese military leaders are thoroughly convinced of these points; their problem is to persuade the politicians and the public.

These concerns were spelled out in a study prepared last year by the Japan Center for Strategic Studies, a Tokyo-based think tank headed by former defense minister Shin Kanemaru. It set forth a detailed plan for doubling the country's defense capabilities over the next several years, to enable the country to withstand a Soviet invasion and to protect the sea lanes within a 1,000-kilometer range of the Japanese coast.

Though the report's proposals were repudiated by the Japanese government when it was released in mid-February, it has nonetheless raised the level of discussion of these issues both within and outside of the government. The Japan Center for Strategic Studies has set up a liaison program with the Washington-based Heritage Foundation to exchange information on a regular basis.

In Europe, meanwhile, the US-Soviet shared monopoly on military reconnaissance satellites will soon be broken by the entry of a third party—France. The

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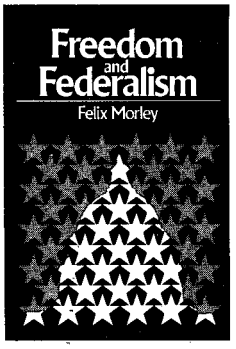

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French government is planning the development of such a satellite, to be called SAMRO, according to *Aviation Week* (Aug. 10). It is to be based on the civilian Spot earth resources observation satellite, similar to the US Landsat. Spot has a maximum resolution of 10 meters, a figure that would be improved upon in the military version. An independent reconnaissance satellite would free the French government from dependence on US (or Soviet) satellites for vital military information.

There are indications that the desire to preserve the US-Soviet shared monopoly on reconnaissance data lies behind some of the official hostility to the independent West German rocket-launcher firm, OTRAG (see "African Deception," REASON, July 1978). Independent sources of reconnaissance data will lead to a multipolar rather than a bipolar focus in the world of big-power interactions.

Caring the Private Way

Without tax-funded welfare and mandatory Social Security, says the popular wisdom, the sick and needy will not be cared for because human beings won't voluntarily give help. What this cynical attitude does not take into account, however, are the countless examples of people pitching in to help the less fortunate.

Take the Shriners, for example, a private group of volunteers devoted to philanthropy. Since 1932, when the members of this international fraternal organization took a look at the philanthropic horizons and decided to put their resources into alleviating the plight of crippled children, thousands of children with birth defects have been helped. Today, there are 18 Shriners Hospitals, as well as three Burns Institutes (in 1966, the Shriners decided to take burn victims under their charitable wing).

All costs are paid through the dues and contributions of members, proceeds from Shrine-sponsored events, and donations. Since most of the administrative work is done by volunteers, an astounding *98 percent* of contributions goes to patient care, with only 2 percent covering administrative costs.

The services offered by the Shriners Hospitals do not require payment, so that no one has ever been turned away for lack of funds. Most are affiliated with a local general hospital or medical college. The Boston Burns Institute, for instance, is associated with the Massachusetts General Hospital and Harvard Medical School. Together with these two institutions and the Massachusetts Institute of Technology, the Burns Institute recently developed a process for making artificial skin, for use in severe burn cases involving large areas.

The Shriners example highlights two obvious benefits of private philanthropy. One is the benefit to the recipient, who knows that he or she is receiving aid that is freely given. A second is the elimination of layers of bureaucracy, saving both time and money, both so essential when lives are at stake.

Shaky Security

Two recent surveys confirm that people are losing confidence in the Social Security system. An April poll conducted by V. Lance Tarrington & Associates for the National Federation of Independent Business found that 68 percent recognize that the program is in financial trouble, and 60 percent feel it should be "changed in basic ways." While 81 percent are counting on Social Security for some part of their retirement income, only 15 percent of young adults expect it

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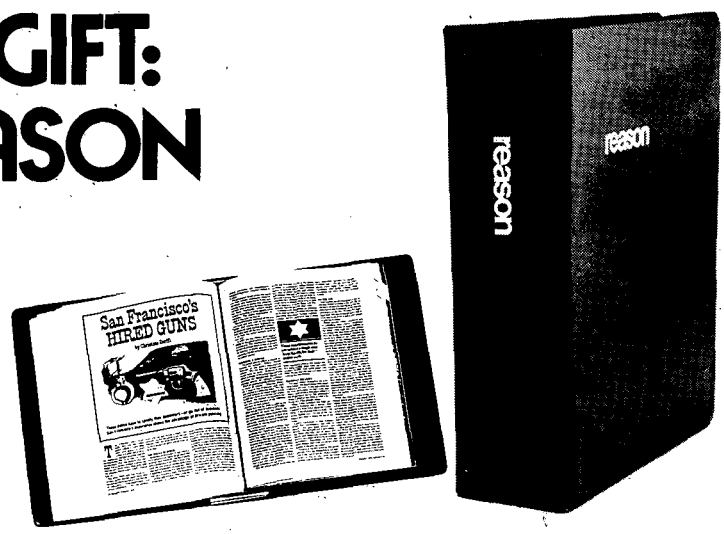

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to be their major source (compared with 46 percent of older adults). And a 58 percent majority think they would get a better return on their money in a bank.

A New York Times/CBS News survey in July found similar results. Fully 54 percent doubt that Social Security will be able to pay them, by the time they retire, the full benefits promised; among those between the ages of 25 and 34, the doubters total 75 percent. Only among those age 55 and above is there majority confidence in the system. The lack of confidence is greatest among those with higher incomes and higher education.

Increasingly, people are saying publicly what economists have known since the system's inception. As Thomas Sowell put it recently in a *Los Angeles Times* op-ed article: "Social Security is the longest-running fraud in America." Continuing, he stated, "Any insurance company that had the same benefits, premiums, and reserves as the Social Security system would be shut down by court order and its managers led away in handcuffs to face charges of fraud." Sowell likened the system to a pyramid club, an analogy picked up by Sen. Steve Symms (R-Idaho), who recently compared the system to a chain letter: "If you live long enough to get your name at the top of the letter, you might get something out of it."

Economist Walter Williams welcomes the debate over Social Security as long overdue. In his syndicated column, Williams argued recently that the goal of the system could better be met simply by requiring people to have their own retirement program, rather than forcing them to participate in an unsound government scheme. If we *don't* make fundamental changes, Williams warned, we'll eventually pay a high price: "It is estimated by some that by the year 2020 A.D. in order to maintain the existing benefit levels, young people in the workforce will have to pay a Social Security tax of 40 percent. With such a tax, I suspect that young people are going to get ideas about what to do with old people. I, for one, get more and more concerned about their probable thoughts as the years go by."

Dissecting Medical Costs

Since the federal government got into the business of financing medical care in a big way, it has devoted increasing attention to controlling costs. Unfortunately, these very efforts have proved quite costly. According to Dr. Michael DeBakey, of Baylor College of Medicine, 10-12 percent of the $85 billion that Americans spent on hospital care last year went to comply with regulations and sustain government bureaucracies. That's $8.5 to $10 billion! And now it turns out, not only are these efforts very costly—they're ineffective, as well.

Last December in the *New England Journal of Medicine,* William B. Schwartz and Paul L. Joskow (of Tufts University and the Massachusetts Institute of Technology, respectively) reported on their study of four of the principal controls aimed at eliminating "unnecessary duplication" of equipment and bed space among hospitals. These are the types of regulations enforced by local Health Systems Agencies (HSAs) under the federally mandated "certificate of need" program.

When the feds first set up this program, they claimed it could save $10 billion a year. Not so, concluded the professors. The gross savings are somewhere between $650 million and $2 billion, with a probable figure of $1 billion. But that's before counting up the costs. In 1978 the federal and state governments spent $250 million administering the regulations, hospitals spent at least an equal amount, and patients and families incurred an undetermined amount of additional costs (because of having to drive further and having their care delayed). Quite possibly, the net savings were zero.

One of the specific areas studied by Schwartz and Joskow was the sharing of CAT scanners among hospitals. But according to another study in the *New England Journal of Medicine* (June 4), scanners "cannot be effectively shared by large, acute-care hospitals." Efforts to impose such sharing have created backlogs that deprive patients, especially poor patients, of needed care, concluded Dr. John C. M. Brust. In a case study of Harlem Hospital Center in New York, Brust found that only 252 out of 1,876 patients for whom CAT scans were recommended were actually able to receive them under a shared-use arrangement. Lack of a scanner at Harlem Hospital "led to prolonged hospitalization, discharge without adequate diagnosis, and probably in some cases morbidity and mortality."

Another key idea behind the certificate-of-need process is the claim that excess hospital beds result in higher costs. It has been claimed that excess beds boost hospital costs by as much as 16-20 percent. Once again, the facts are otherwise. A detailed study of 18 hospitals in Orange County, California—an area with higher-than-average overbedding—found that maintenance of excess beds accounts for only two percent of total hospital costs. The study, by the accounting firm of Ernst & Whinney, is the first actually based on audited financial records rather than simply "macro estimates." The study was released in August by the Hospital Council of Southern California.

These studies lend support to the idea that bureaucratically imposed, top-down

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cost controls, as exemplified in HSAs and Professional Standards Review Organizations (PSROs), do not work. That's why the Reagan administration is attempting to phase them out over the next two years, despite the lobbying of big-business groups that fear even higher health insurance costs as a result. Some 200 large corporations organized as the Washington Business Group on Health are pushing to retain both PSROs and HSAs, which David Stockman has vowed to eliminate.

As an alternative way of controlling costs, Stockman proposes making the medical care market more competitive. That will be no easy task. But the evidence seems clear that existing regulations simply aren't doing the job—and are depriving both patients and providers of freedom to choose.

Moving up in the World

A recent *Business Week* report (July 20) shows the extent to which the proponents of socialism and state capitalism who have taken over the United Nations are willing to go in their effort to browbeat the rest of the world—mainly the United States—into going along. The report on the United Nations lamented its promotion of the "new international economic order" (a plan, fostered by the Soviet bloc and the less-developed countries, to redress an imbalance of wealth between rich and poor countries) and exposed the data tampering that goes on when economic studies don't come to quite the "correct" conclusions.

Among the examples of economic tampering: an attempt by members of the Statistical Commission of the UN Economic and Social Council to end progress on a research project indicating that people in most less-developed countries, as measured by their purchasing power, are twice as well off as past UN figures have led us to believe. Another study contained a section that showed the structural problems in the steel industry; that section was removed because it was "too negative" for producers in less-developed countries. A 1977 staff report prepared for the Law of the Sea Conference was suppressed when it showed that copper-producing countries would not lose as much of the market share (to ocean miners) as they were claiming they would.

The United Nations' economic misrepresentations, unfortunately, also form the basis for its new releases on the economic needs of the less-developed countries. Now we'll know to take such things with a grain of salt.

New Age Budget Biting

As noted here last March, the "New Age" movement, an alliance of decentralists and former counterculturists, often adopts surprisingly libertarian positions. A recent issue of the New Age newsletter *Renewal* provides a case in point.

Criticizing both Republicans and Democrats for their positions on cutting the federal budget, *Renewal* pointed out that neither party's position called for actual budget *cuts*—merely for reductions in the rate of increase in federal spending. By contrast, the newsletter called for *real* spending cuts—$120 billion worth—to produce a budget surplus and reduce the national debt.

Some of the cuts are in defense spending—$15 billion in military waste and $50 billion in programmatic changes aimed at greater cost-effectiveness. Some $33 billion more are not really tax cuts but would come from reducing "tax expenditures"—existing exemptions from taxes (for example, a portion of mortgage interest deductibility; travel and entertainment expenses). But another $20 billion would be unambiguous cuts in federal spending: dumping the synfuels subsidies ($5 billion), more effective collection of debts ($5 billion), modifying Social Security's cost-of-living formula ($4 billion), etc.

It's refreshing to see the New Age movement sound the call for paring big government.

Milestones

• *Dump Corporate Tax?* Writes Nicholas von Hoffman in a September column, "The best thing liberals can now do is work for the total and complete repeal of the federal corporation tax. Abolish it and with its burial goes all the tax incentive nonsense, all the phony bookkeeping, all the odious tax lawyers and tax lobbyists, the whole smelly system."

• *Don't Want "Protection."* American consumers, according to the *Wall Street Journal,* are strongly opposed to quotas, tariffs, and other restrictions on imports. Columnist Art Pine reports from Washington (Aug. 17) that mail to Congressmen ran nine-to-one against any bill to limit shipments of Japanese autos to this country.

• *Postal Ads.* The USPS seems ready to take Rep. Barry Goldwater Jr.'s (R-Calif.) advertising-on-stamps plan seriously. To cut the postal deficit, the agency has announced it will consider selling ad space on postal vehicles, mail boxes, and the backs of stamps. The 1980 postal deficit was $306 million. Goldwater has estimated that his plan (which involved only stamps) could generate $1.2 billion a year in revenue.

• *Postal Competition.* Backed by TV commercials contrasting its speed and reliability with the postal service's slowness, Federal Express's Overnight Letter service was delivering up to 10,000 letters a day by the end of its second month. Analyst Michael Derchin of Oppenheimer and Co. projects that the service could account for between one-third and one-half of the company's revenues by the mid-1980s.

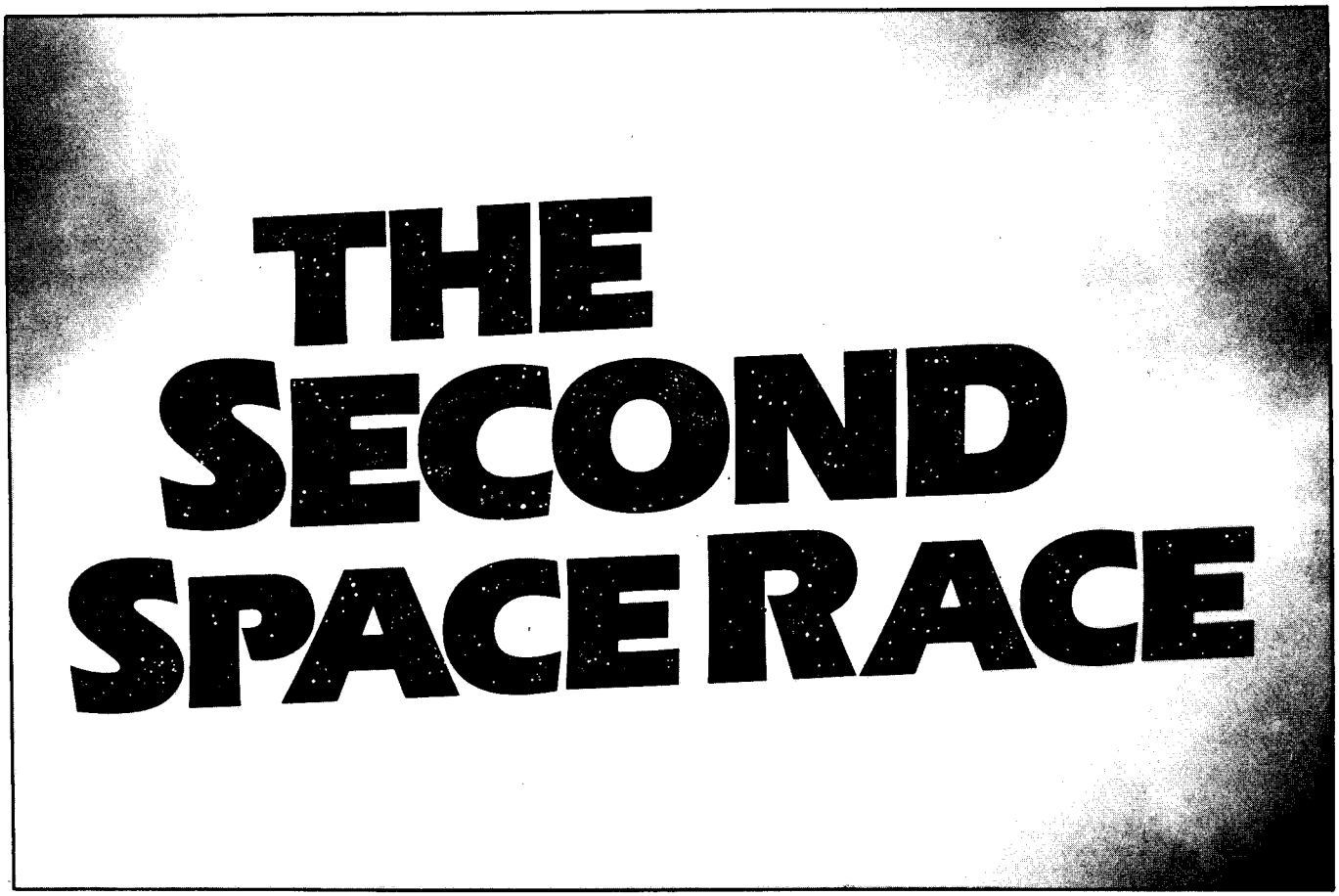
• *Draft Declines.* Support for reviving conscription has dropped sharply in the past year, according to the Gallup Poll. In mid-1980 the draft was supported by 58 percent and opposed by only 34 percent. But by mid-1981 support had dropped to 48 percent, with 45 percent opposed. And a large majority (59 percent) agree with the Supreme Court's ruling that women not be drafted.

• *Free to Risk.* According to a poll reported in the *FDA Consumer* (Oct. 1980), a majority of the public thinks that people should be able to decide for themselves whether to use potentially cancer-causing substances, rather than having the products banned by government.

• *Hill People's Victory.* Builders of rural homes that do not conform to standard building codes (see "Housing: Tangled in Red Tape," REASON, Oct. 1980) have won a partial victory. The boards of supervisors in California's Mendocino and Sonoma counties passed ordinances this summer legalizing such homes, provided they meet minimal safety, sanitation, and lot-size requirements.

• *No Coffee-Cancer Link?* Several scientists and physicians have questioned the methods and conclusions of a study published in the March *New England Journal of Medicine.* The study posited a statistical link between coffee drinking and cancer of the pancreas. Some of the doubters pointed out possible unintentional bias and the existence of other health habits related to coffee drinking (such as the use of nondairy creamers); others questioned the accuracy of judging coffee consumption.

—Robert Poole, Jr. and Christine Dorffi



THE SECOND SPACE RACE

Entrepreneurs are gearing up to challenge NASA's monopoly on space transportation. But they won't get off the ground unless the government makes some tough decisions soon.

BY JAMES C. BENNETT

ON LAND, IN THE AIR, AND OVER WATER, transportation service in our country is provided primarily by private entities. In the fourth and newest environment—space—transportation has been provided exclusively by the government. This service has been extremely costly, and the customers have found the service provider, NASA, difficult to work with. It need not be this way forever...if the right decisions are made.

What does space offer to individuals and firms? Today, indispensable communications relays, weather data, information about earth resources; tomorrow, new benefits such as solar power satellites, industrial and pharmaceutical processing activities, new and more sophisticated communication relays, nonterrestrial sources of raw materials—and, if our hindsight about other new vistas is any indication, possibilities we have not yet even envisioned.

Poised to make the most of the possibilities is an emerging private space industry. Nowadays, it is often feared that Americans have lost their ability to compete in new, risky, high-technology ventures. Yet there are plenty of space entrepreneurs champing at the bit to do just that. Whether or not they get their chance—and the potential benefits of space transportation and development come to be realized—depends on the course taken by the federal government.

Consider two scenarios. Both start in the present and diverge from decisions that are only slightly different in their initial reasonableness but are very different in their long-run consequences. Although both scenarios are projections, they are not fantasy—the actors, issues, and possibilities all have some basis in what has happened to date. Which one will be reality and which one will remain fiction?

FLOURISH . . .

In 1983 the Reagan administration wins a congressional vote on its plan to "privatize" NASA's Space Transportation System by 1987. United Airlines and Boeing announce a joint venture to form United Spacelines. They state their willingness to assume responsibility for many of NASA's existing commercial space contracts and obligations and to operate selected NASA facilities for profit.

A few years later, MATCO, a consortium of Fortune-500 manufacturing firms, contracts with the newly formed United Spacelines Corporation to purchase three shuttle external tanks, on orbit. United Spacelines has created a lucrative market for such tanks by deciding to lift them all the way to orbit rather than throwing them away as earlier NASA Shuttle launches had. MATCO announces it will use the external tanks as structures for a commercial, manned orbital research facility, intended to begin operations in 1988.

In 1990, with the space station ready for business, MATCO announces that the contract to transport personnel has been

WHAT NASA'S COMPETITION IS UP TO

1967: An aerospace engineer named Len Cormier founds TranSpace, in California. TranSpace's goal is to study the possibility of privately financing and operating a space transport vehicle for profit.

1971: Lutz Kayser, a German engineer and businessman, founds Orbital Transport und Raketen Aktiengesellschaft (OTRAG), a West German company. OTRAG announces its intention to design, produce, and operate low-cost

Project Private Enterprise

Robert Truax and the prototype Volksrocket

awarded to United Spacelines, as expected. However, it surprises many by awarding the contract to transport bulk cargo to a "dark horse" company, Space Truck, Inc. "Space Truck quoted us a lower price, and we think they can do the job," explains a MATCO executive.

In 1993, an independent contractor leasing space from MATCO at one of its orbital stations uses a zero-gravity, containerless processing technique to develop a significant advance in semiconductor technology. She sells her invention to a leading semiconductor firm...and retires for life at the age of 27.

Subsequently, National Telecom, the second-largest US telecommunications company, announces that its next communication satellites will be launched by Inter-Spatial Transport, Inc.'s "Heavy Lift" rocket. Representatives of Nippon Rocket, the other major contender, admit that ISTI's new cost-saving innovations have left them "surprised...and working hard to catch up."

By the year 2000, SpaceTruck-Boeing Corporation unveils its newest-model space launcher, promoting it as, "not just another breakthrough in reliable, low-cost space transportation, but *the* breakthrough." At the significantly lower cost of transport to orbit, solar power satellites will finally become profitable mechanisms for producing energy to suit Earth's needs. "Looking back," says an STB spokesman, "it's a good thing this industry has been lean and competitive for so many years. Otherwise space travel would still be an expensive luxury, not an everyday occurrence."

An enchanting vision! But just assume that the first decision had been made a little differently...

...OR FLOUNDER

In 1983, the Reagan administration agrees to grant NASA regulatory authority over space operations, including private activities. "They *are* the space experts," says one administration spokesman. At NASA, a high-level official promises that private firms will not be treated as rivals but as allies in the opening of the space frontier. A few years later, backers of Space Truck, Inc., announce that they can no longer support their attempt to start a private launch service. "After waiting for three years to get certification for our vehicle, approval is still not even in sight. We can't afford to wait any longer." With the bankruptcy of Space Truck, serious efforts by private American firms to enter the space transportation business cease.

In 1987, federal budget cutters force NASA to shelve its space operations center project "because it is an immense burden on American taxpayers." Components already orbited are turned over to the Air Force for use at its restricted surveillance space station.

A few years later, a European-Japanese joint venture in semiconductor production announces its discovery of a remarkable technical advance at its research space station.

In 1995, in a major policy speech in San Jose, California, the president announces that no new follow-on to the Space Shuttle will be funded. "In hard times like these, we just cannot afford luxuries like advanced space transportation systems. Our first priority must be taking care of our unemployment problems in seriously depressed areas such as Detroit and, of course, Sunnyvale."

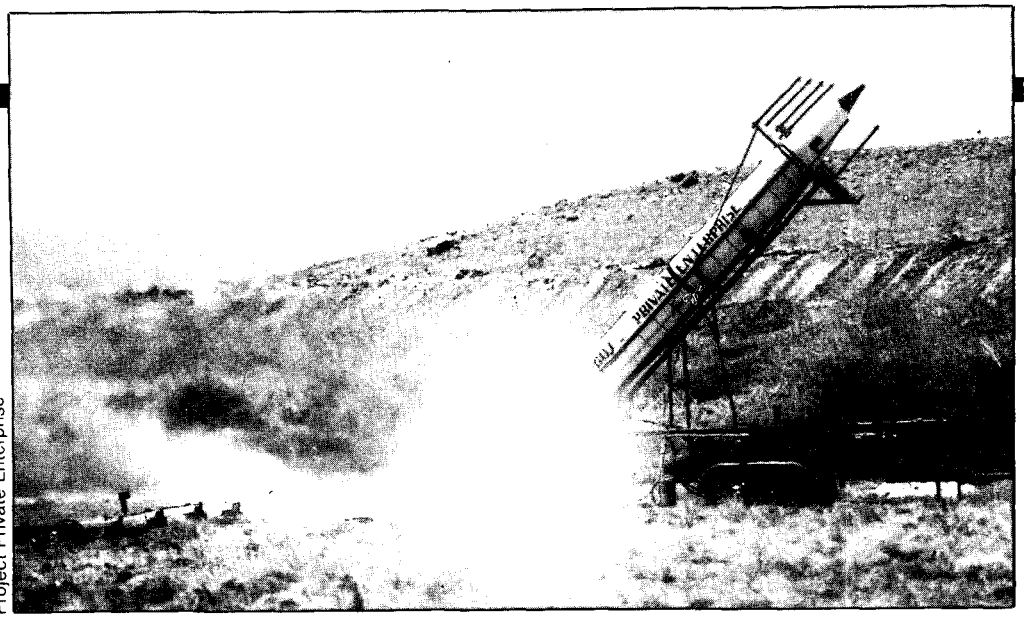
The turn of the century passes quietly in America. An American historian reads a paper at the annual meeting of the American Economic Association. His topic: "Private American Space Companies: Could They Ever Have Successfully Competed with State-Financed Corporations of Europe and Japan?" His talk is almost as well-received as the previous one, "Lessons from Lysander Spooner's Attempt to Compete with the US Post Office."

FLIGHTS OF FANCY?

Is either of these scenarios anything other than pure fantasy? Is private space transportation just an entrepreneur's daydream? Has any serious person done real work on private rockets or privatization of the Shuttle? Doesn't everyone know and acknowledge that space is an extremely expensive proposition—so expensive that only a government can foot the bill?

In fact, there is a very real record of people and companies trying hard to get such enterprises under way. These efforts can be dated to 1967 and continue

Volksrocket undergoing engine test firing



Project Private Enterprise

satellite launch vehicles. Kurt Debus, one of Wernher von Braun's old team members, leaves his post as director of Kennedy Space Center to become chairman of the board of OTRAG.

1973: TranSpace, Inc., is incorporated in Nevada by Len Cormier. It attempts, without success, to gain government support for a study of low-cost space transportation methods. Cormier decides to persist in seeking purely private funding.

to this day (see sidebar). For some of the people and corporations involved, the journey to space may end before it begins. As in every other new field, the history of commercial space flight will be filled with tales of success and failure; of geniuses, dreamers, and con-men; of hopes too big to accomplish and of accomplishments exceeding hopes. But somewhere within this record—or just beyond the edges of it—may lie the seeds of success for private activity in space.

Yet the seeds of the negative scenario also exist. They exist in a series of heedless and short-sighted decisions that past administrations have already made, in a series of international agreements, in a confused regulatory policy, and in the gradual, unintentional transformation of a government research agency into a government transportation service. Through this haphazard series of events and decisions, part of the freedom essential to the growth of private space activity has already been frittered away.

INTERNATIONAL INTEREST

Since the beginning of the Space Age, the Soviet Union and its allies have persistently attempted to outlaw the operation of all entities other than States in outer space. The US government, to its credit, has resisted these attempts, but the treaty process has not turned out entirely favorably for private space enterprise.

Over the last 14 years the government has signed international treaties that have set dangerous precedents for private space ventures. The 1967 Outer Space Treaty specifies that "the activities of non-governmental entities in outer space, including the moon and other celestial bodies, shall require authorization and continuing supervision by the appropriate State Party to the Treaty." This provides a ready-made excuse for government intervention in private space commerce.

The 1972 Liability Convention superseded normal American and British law, whereby the private operator of an aircraft, for example, is held liable for damages to foreign people or property. Instead, the state of registry of a private spacecraft was made fully liable—offering another rationale for government to have a say in private space operations.

In 1979, at the World Administrative Radio Conference (WARC), US delegates failed to block a motion to continue political allocation of the limited geostationary orbit—a resource that US taxpayers had largely paid the initial costs of reaching. Future WARCs may become hostile to further American use of geostationary orbit, particularly for domestic traffic. Without a commitment by US negotiators to widespread private use of the spectra, the development of competitive private telecommunications will be severely limited.

Issues left unresolved by the failure of the Moon Treaty and the growing commercial use of space will be reviewed at UNISPACE 82, a United Nations conference that will probably set the pace for space treaty negotiations throughout the 1980s. The US government's refusal to sign the Moon Treaty will most likely make the conference a tumultuous event. Only a strong US delegation firmly committed to private rights can save the day for space entrepreneurs.

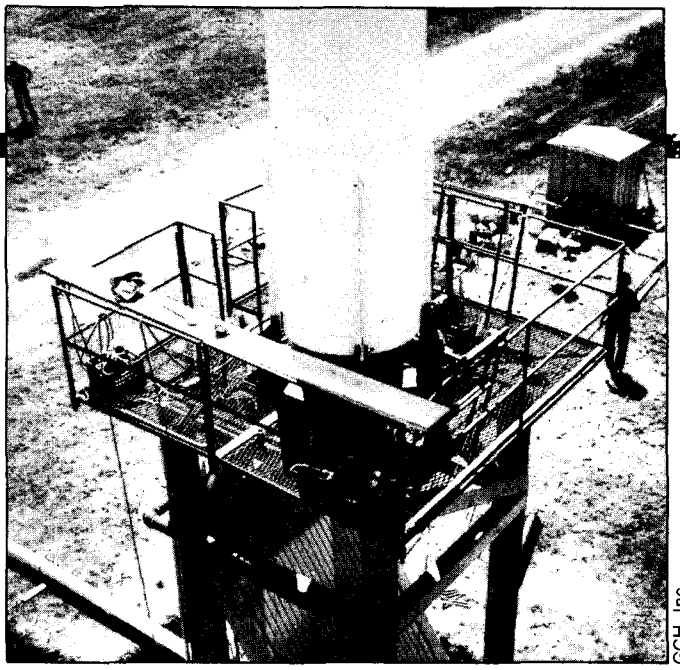
REGULATORY TUG-OF-WAR

A host of potential domestic problems flow from these international treaties. To date, the federal government has not taken a stance on the issue of private space activity, but a variety of federal agencies have begun to venture claims of jurisdiction. As a result, potential private operators cannot predict what regulatory future they might face, and this uncertainty is a source of difficulty in raising investment capital.

One agency that has both claimed and denied jurisdiction is NASA. In a 1975 internal memorandum that only recently became public knowledge, NASA stated that it had no authority over private activities, reasoning that "since NASA is not a regulatory agency, it could not promulgate rules prohibiting launches." Yet when the issue was forced this past summer by an attempted Spaces Services, Inc., rocket launch, NASA General Counsel S. Neil Hosenball put in a claim for jurisdiction: "It is my opinion that if a policy determination is made to regulate the private rocket launch from a private facility that NASA has jurisdiction to issue non-economic regulations dealing with,

1974: **Boeing Aerospace Corporation, the manufacturer of the Minuteman missile, studies the possibility of buying outdated Minutemen back from the Air Force and using them to launch satellites on a commercial basis. The project fails because of objections from the Department of State.**

1976: **Paul Seigler, editor of Earth/Space News, holds a small private gathering to discuss the possibility of privately financing and building a promising new space vehicle. Out of this meeting emerges Earth/ Space Corporation, a company seeking funding for the vehicle, and the Earthport Project, whose goal is to promote the establishment of an international launch site open to all peaceful government and private users.**



Detail of Percheron launch pad, Matagorda Island, Texas

GCH, Inc.

at the very least, peaceful purposes, safety, and operation of space vehicles whether for orbital or less than orbital flight" (emphasis added). Later, NASA backed off and made no attempt to act as a regulator in the SSI launch attempt.

Also putting in a bid for jurisdiction is the Federal Aviation Administration (FAA), the regulator of US continental airspace. The FAA's general authority would allow the agency to issue regulations to prevent interference between rockets traveling through the atmosphere and between rockets and aircraft. Yet when SSI's planned rocket launch came before the FAA, it construed its authority to include the issue of whether the rocket could enter what is legally considered outer space.

Eventually, other government agencies are destined to appear on the scene. The Department of State has an obligation to keep on top of the actions of private space operators because of possible interference with other nations' spacecraft; the Department of Defense has an obligation to inform US defense forces of the time, location, and course of private space launches so that a private rocket is not mistaken for a military missile launch. This involvement answers valid public concerns about the general safety of the populace and about potential military implications of the private operation of large rockets. The federal government performs analogous functions vis-à-vis maritime and aviation activity.

The big question is whether the government's treaty-mandated regulation of space flight will be characterized by bureaucratic incompetence, favoritism, and burdensome and inappropriate requirements, or by intelligence and moderation. The historical trend does not bode well for entrepreneurs.

IMPENDING REGULATION

Public policy concerning new technological industries tends to be set during their infancy. Then, simply because of bureaucratic inertia, the initial regulatory apparatus and governing principles do not grow with the industry. So regulation freezes around procedures that prevent innovation and raise the costs of competing.

Aviation, at the time a minor industry, came under government regulation in the late 1920s. Today, one of America's largest and most important industries is finally emerging from the protective cocoon of anticompetitive regulation. For years competitors, such as entrepreneur Ed Daly's World Airways, were kept from entering the air transport business. The costs of this regulatory pattern—artificially high fares, delays in application of new technology, and numerous other disservices—have been borne by the American consumer.

Since 1978, the considerable deregulation of the air transport industry has brought the benefits of slashed airfares and the entry of aggressive new companies. The fallout of regulation has also been displayed. Established airlines underwent considerable dislocation and often completely terminated air services to many locations. If not for industry-protective regulation, these areas would most likely have enjoyed long standing service by specialized carriers appropriate to that market niche.

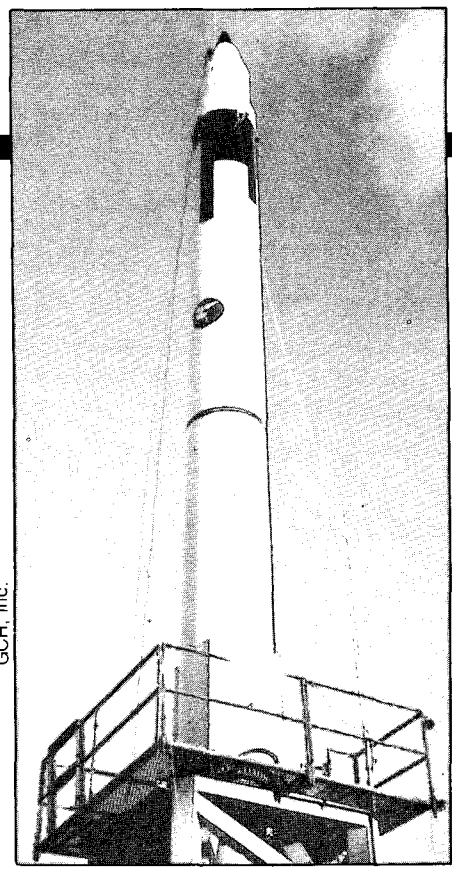
Broadcasting, too, has been stymied by a pattern of early misregulation becoming entrenched. The regulation of space enterprises could follow the same well-worn path.

Within the next year and a half, the issue of whether space will remain a government preserve or be opened to the diversity and creativity of entrepreneurial activity will be decided, either intentionally or by default. The rush of events is forcing the issue.

One private group, Earth/Space Transport Systems, is demanding clarification of NASA's role. In 1982, after its third test flight, the Shuttle pilots will begin flying commercial cargo—communication satellites headed for orbit; and this, says William Good, founder of the group, amounts to offering regular commercial service, contrary to NASA's charter. Moreover, this service will at times be provided by military pilots on active duty, contrary to US law and policy.

Additional pressure is coming from a group of airline pilots led by David Koch of United Airlines' Professional Outlook Committee. They have formed an organization to offer commercial pilots ground school training in flying the Shuttle.

SSI's Percheron rocket on the launch pad, August 1981



GCH, Inc.

1976: OTRAG, **having secured $80 million in funding, establishes a test and launch site in Zaire and begins developing its rocket modules.**

1977: Robert Truax, one of America's earliest rocket pioneers, founds Project Private Enterprise, Inc., and begins building a rocket from surplus military and NASA hardware. His objective: to open an era of "barnstorming" into space, shooting a human 50 miles up and back in less than 20 minutes round-trip. His proposed financing strategy: private lenders, to be repaid by sale of publicity rights to film the initial launch of the "Volksrocket."

1978: The Soviet Union, long an opponent of private operations in space, initiates a virulent propaganda campaign against OTRAG. Soviet-backed guerrillas from Angola invade Shaba province in Zaire, location of the OTRAG test site, and penetrate to within

Pilots, they intend to prove, are capable of flying Shuttles without the stiff NASA requirement of military jet experience.

Meanwhile, NASA, in order to operate the Shuttle as a commercial transport vehicle, is planning internal reorganization and management changes for July 1985. And the activity of private rocket companies is pushing the government toward a determination of who has jurisdiction over private space flight. Sooner, rather than later, the issue will be forced. Some sort of regulatory regime will be cobbled together, whether or not there is intent. By accident or by inattention, with the very best of intentions to achieve economy or through overzealous attempts to encourage the rapid development of an exciting new field, by bowing to the political pressures of friends and interest groups or by succumbing to inertia, the potential for making disastrous decisions abounds.

HOW TO DO IT WRONG

The government has at its command a variety of agencies, bureaus, and corporate entities through which it could remain the lead actor in commercial space activities. If this is the course taken, there will be a great temptation to protect its enormous investment by placing a heavy regulatory burden on lower-cost private competitors or even seeking to prohibit competition altogether in important markets. Notice how zealously the Postal Service works to prevent competition in delivering first-class mail. Notice how the government, protecting its friends through a stifling regulatory situation, was for 30 years capable of barring entrepreneurial competitors from the air transport industry. The net result would be inefficiencies and high transportation costs, greatly retarding the development of space enterprise—at least in America.

Ordinary political inertia might result in allowing NASA to retain the leading role in all areas of space activity. Yet as long as space activity remains primarily an extension of bureaucratic government, the scope of private space operations will be held back.

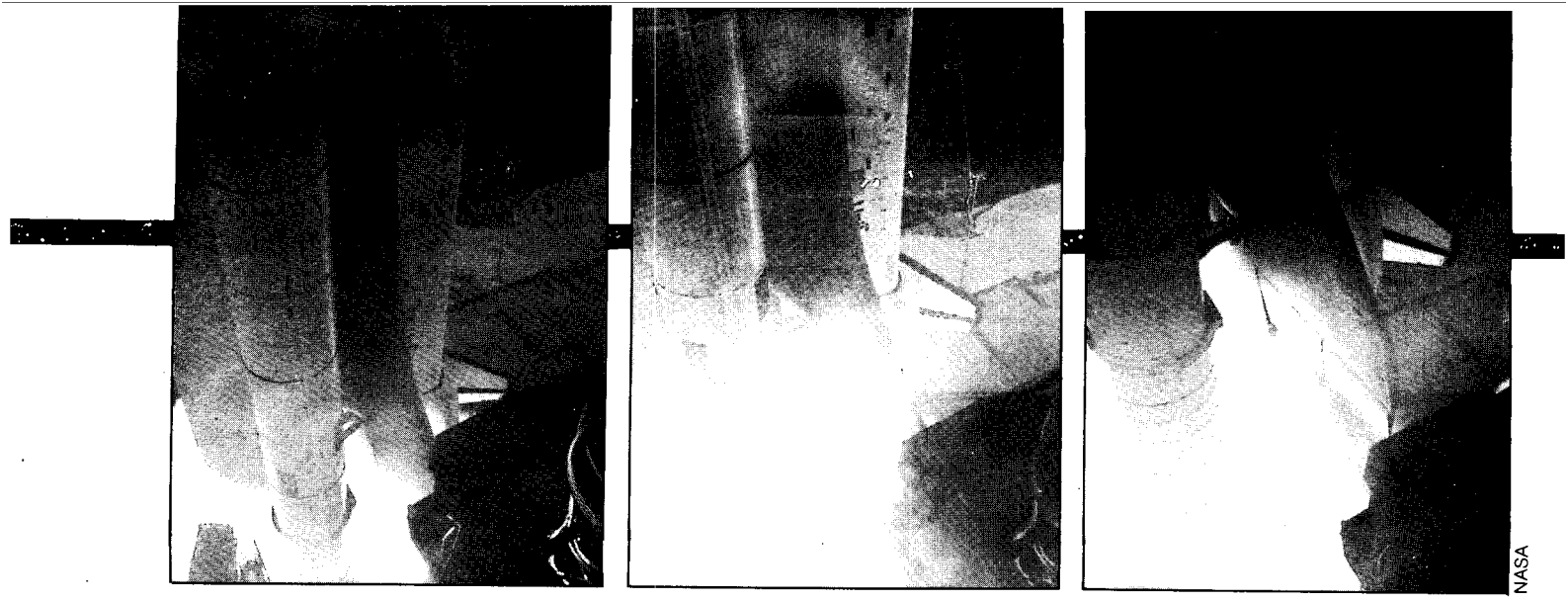
In a drive for economy or a quest for efficiency, a well-meaning government might hand all the reins to NASA on the mistaken perception that all "space" activities are essentially alike, part of a unified field of endeavor that should be "run" by a single entity. Nothing could be more wrong. "Sea activity" is not a single field, and we wouldn't dream of having a single entity function as navy, coast guard, merchant marine, fishing fleets, oceanographic research institute, yacht club, and Chris Craft squadron. Nor would we feel obliged to have a "national seacraft" to suit all these needs.

We do not have an "air entity" to carry out the role of the FAA, the Air Force, the passenger and freight airlines, air express firms, crop-dusters, charter operators, helicopter operators, business aircraft fleet, aerobatics teams, pleasure aircraft, aerial photographers, aerial fire fighters, sailplane fleets, blimps, and balloons. Nor do we have a "sky shuttle" to meet all our diverse aviation needs. If we did, imagine how well each of them would be met. And imagine what the cost of crop-dusting a field might be. Yet this is exactly the situation we face with space development—a situation that occurred more by historical accident than by intent. The appointment of NASA as an operational entity would perpetuate those accidents by design.

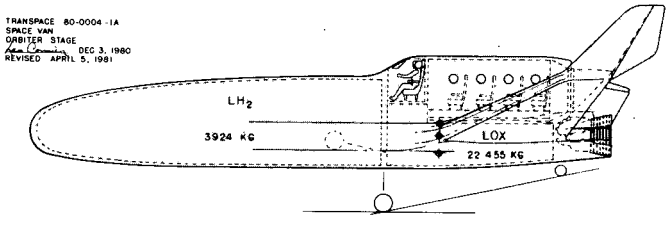
OVERLOADED SHUTTLE

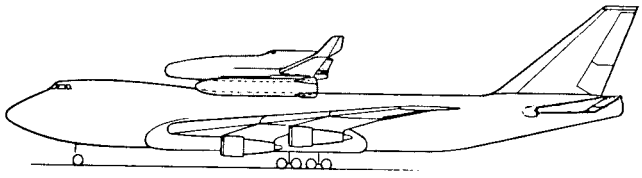
How did the accident happen? How did people come to think that one vehicle, the Space Shuttle, could meet all transportation, research, and defense needs?

Back in the late 1960s, as NASA planners looked beyond the final Apollo missions, the Shuttle concept began as a solution to a problem and as a means to fulfill a mission. The next step, as then planned, was a space station in orbit around the Earth. The mission was to provide transportation to the station. The problem was the high cost of transportation to Earth orbit. The expensive large boosters then in use, such as the Saturn 5 moon rocket, were thrown away in the process of achieving orbit. But a reusable spaceship, figured NASA planners, would be cheaper.



Space Shuttle Columbia lifts off from Cape Canaveral





TranSpace design for space plane to be launched from Boeing 747 aircraft

Designs and plans for the cost-saving shuttle began. It was to be a sophisticated vehicle, but the demands on it were simple: it would haul passengers and freight from Earth to the space station. Although high-technology, it would reduce costs by being completely reusable: not only would the orbiter be reusable, but a "flyback first stage" would permit the boost stage to be completely reused.

Then President Nixon informed NASA that both a space station and a reusable shuttle could not be funded. NASA had to make a choice. Naturally, they chose to save the spaceship—with transportation guaranteed, they could surely think of something to do. Right away, NASA planners realized that some of the missions slated for the space station, such as on-orbit experiments, could be redesigned to be performed on the Shuttle. But to accommodate the experiments, certain features would have to be added to the Shuttle. The first changes in Shuttle design had begun.

Still, it was obvious that the Shuttle could only be justified if the Air Force were to state that the Shuttle's capacities were necessary for defense operations in space. The Air Force, although not putting any of its own budget on the line, agreed to support the project in return

IMAGINE . . .

Dawn is breaking over the flat plains of Kansas, a glorious spring morning in 1982. The rising sun gilds a few clouds in an otherwise clear sky. In a backyard behind an old, weather-beaten Midwestern farmhouse is an incongruous scene: a cluster of modern trailers, with cables running in all directions, and a large crowd of doers and onlookers, engineers, reporters, and cameramen. One of the network reporters is conducting an interview with an older man, clearly by dress and demeanor a Senior Official.

REPORTER INTRO: Good morning, Americans. We are here in Owl's Eye, Kansas, to witness another chapter in the forward march of science and technology, the controversial and long-awaited "next step" in America's costly and exciting conquest of the air. Today, finally, if all goes well we will see the National Air Administration's controversial Sky Shuttle aircraft perform its first applications mission as part of NAA's "Skydust" program, in which the mammoth aircraft will swoop down over the fields of farmer Ed Shultz and spray them with pesticides. With us today is NAA's deputy director, Buzz Wingnut, who will be answering some of the tough questions which have come up about NAA and the Sky Shuttle.

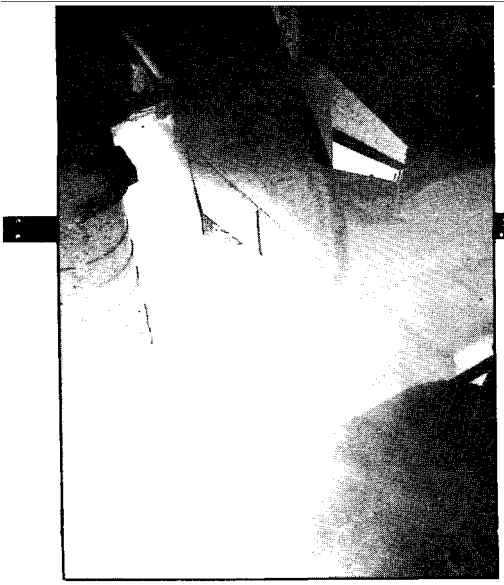
Buzz, what are the chances of success of today's mission?

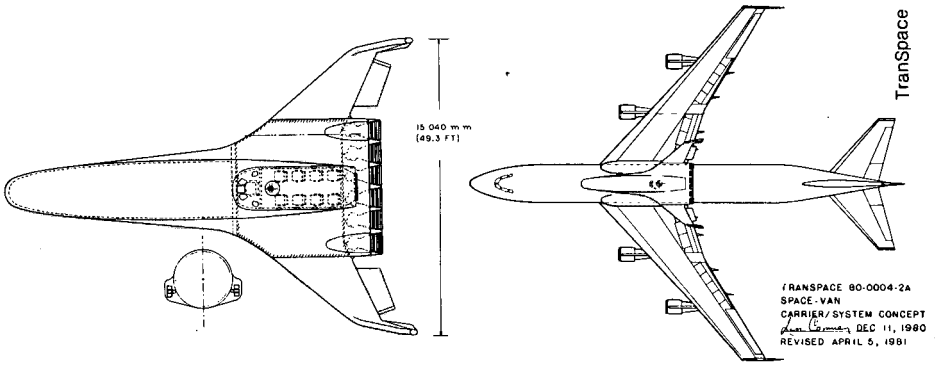
OFFICIAL: Well, Jules, all the indications are good. The weather is right, the aircraft, aside from a few minor problems, is in good condition, and the crew is in excellent spirits. It sure looks like we have a "go."

REPORTER: What about the rotor problems? Everybody knows that the rotors have been giving you trouble ever since the start of the Sky Shuttle program. Critics have charged that there is still a serious chance they'll fall off.

OFFICIAL: I can assure you that the rotors will not fall off this time. The rotor problem has definitely been solved.

REPORTER: Some critics have questioned the whole idea of having a set of rotors on an airplane, saying that the idea of an aircraft that can take off vertically *and* fly 10,000 miles at supersonic speeds is unnecessarily complicated. Could these missions be better performed by separate aircraft?





50 miles of it. OTRAG **conducts two successful and one unsuccessful test firing of its rocket modules but is forced by international political pressure to abandon operations in Zaire.**

1978: William Good, a Braniff Airlines pilot, forms Earth Space Transport Systems, Inc., in New York (no connection with Paul Seigler's California company) to promote the idea of privatizing NASA**'s Space Shuttle. Earth Space Transport begins pushing legislative and administrative initiatives supporting this objective.**

1978: The European Space Agency (ESA**), a con-**

OFFICIAL: Jules, this kind of talk puts our entire technology development system in question. I might point out that each of those requirements you mentioned, as well as others—such as the ability to land on both land and water, the ability to perform aerobatic maneuvers, and the ability to fly at treetop level—were inputted to NAA by responsible sectors of the government. There is no doubt that each of these capabilities is needed by the nation's aviation-using sector.

As for the idea of developing a separate aircraft for passenger, cargo, defense, and scientific purposes, such talk is the height of irresponsibility. What with the cost overruns and time delays which were unavoidably encountered by the Sky Shuttle program, there is no chance of getting Congress to appropriate funds for development of a new aircraft in this decade.

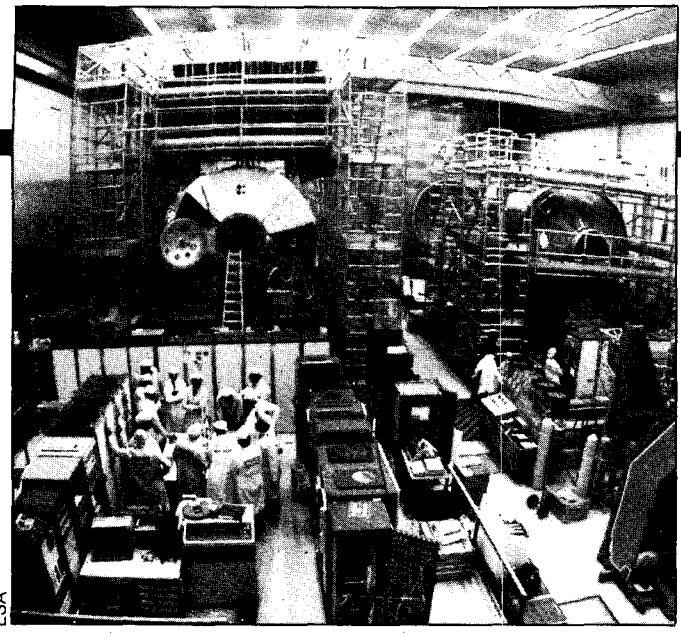
REPORTER: Buzz, Senator Buttermore has been highly critical of both the Sky Shuttle program in general and the Skydust experimental program in particular. He has said, and I quote, "The Skydust program has been an enormous boondoggle from the beginning. It is merely an excuse by the NAA administrators to find new 'needs' for their services. Ask any farmer—the idea of spraying chemicals on crops from the air as a part of day-to-day agriculture is inherently absurd. Both as a Senator and a taxpayer, I say, 'Not a penny for this nutty fantasy!' " How do you respond to that, Buzz?

OFFICIAL: Well, all I can say is that I am glad Queen Isabella didn't take this attitude toward Christopher Columbus. "Crop-dusting," as our boys like to call it, is an extremely promising technique, and one which today's demonstration will prove technologically feasible. The Sky Shuttle will reduce the cost of aerial application from $500,000 per acre to only $100,000 per acre. I can confidently predict that, given Congress's continued support of development funding, hundreds, maybe even thousands, of American farmers will enjoy the benefits of "crop-dusting" by the year 2000.

REPORTER: There have been some voices, so far a distinct minority, who have called for private operation of the aircraft program in this country, saying that private operators could do the job more efficiently. Could you say a few words on that, Buzz?

OFFICIAL: Well, Jules, it's hardly worth my time to answer that one, don't you think? The Sky Shuttle has cost nearly $100 billion dollars to develop. Where could a private firm raise that kind of capital? We at NAA have always valued the contributions of private industry to the air program—we feel that the free-enterprise qualities of our contractors demonstrate exactly the kind of government-industry partnership it takes to maintain America's leadership in high technology. But romantic notions of competing "airlines" operating passenger and freight operations across the continent as if they were railroads—that belongs in the 19th century. Aviation in America has been in sound hands ever since Congress suppressed dangerous cranks like the Wright Brothers and created the predecessors of the NAA to give America wings, and let us pray to God it remains that way. Jules, I'm going to have to cut this short. The countdown is entering the final stage.

REPORTER: Well, thank you, Buzz, and Godspeed. It's a great day to be an American.



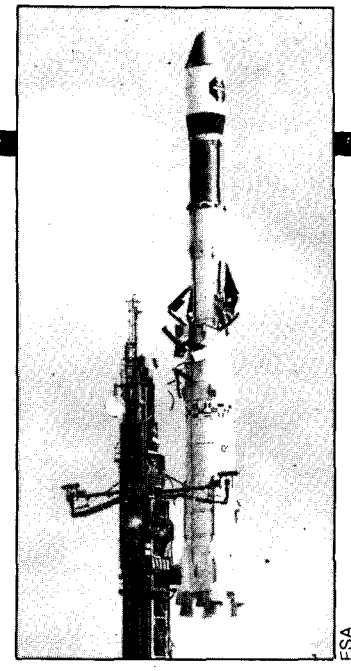
ESA

Prototypes of ESA's Spacelab modules in ESA Laboratory in Paris

Third Ariane blasts off from ESA base at Kourou, French Guiana, June 1981

sortium of European governments, sponsors the formation of an international corporation to take over the operation of its launch vehicle, the Ariane. The new corporation, Arianespace, is owned partly by the governments sponsoring ESA and partly by European banks and aerospace corporations.

1980: Project Private Enterprise's Volksrocket undergoes successful engine firings in Fremont, California.



ESA

for two changes: it would have to be made considerably larger to accommodate defense payloads, and it would have to have a wider "cross-range capacity" to allow for a last-minute change of landing sites, should security needs so dictate.

These demands forced a change of wing shape and required NASA to seek an improved heat-shielding method—the Shuttle was now far too large to use more-conventional methods. The solution was thousands of small "thermal tiles" made from an extremely expensive high-tech ceramic, each uniquely shaped, each applied individually by a specialist. Both of these changes caused enormous cost increases and time delays.

Subsequent budget cuts forced NASA to economize, abandoning the original "fly-back first stage" and adopting the compromise "stage-and-a-half plus boosters" solution. In the new design, the external fuel tank (at a cost of $9 million) is thrown away and the two solid boosters are fished from the ocean and refurbished at a cost of $14 million per shot. NASA realized that it could barely make this scenario work, but it went ahead, selecting Rockwell, the low bidder, as prime contractor. NASA knew that if any of these complex and untried technologies ran into development problems, Rockwell (and NASA) could go back to Congress to beg for more time and more money.

What are the lessons to be learned from this story? Is this a tale of bureaucratic incompetence at NASA? or of Rockwell and NASA conspiring to rob the Treasury? Could this have been prevented by having more competent administrators in charge of NASA or more alert watchdogs at the Office of Management and the Budget?

Not at all! At every point, NASA administrators probably made the best choices they could, *given their mission and their constraints.* The Rockwell engineers found the best technological solutions available, *given the problem they were asked to solve.*

A private space transportation firm would never have tried to build the Shuttle: it would have picked out one or two markets it could have met and developed a vehicle to meet those demands. It would have tried to convince the other markets to alter their requirements or would have resigned itself to seeing a competitor capture them.

IF NOT NASA, THEN . . .

NASA was never intended as the operator of a commercial space transport service and does not have the structure or orientation to be that successfully. Few companies place R&D scientists in charge of marketing or operational divisions, but NASA *is* a research agency.

Perpetuation of NASA's experiment-oriented approach to space transport design would continue the myth that space travel is inherently ultra-high-cost. But the sort of costs that typified NASA's political crash program to develop the Apollo in the 1960s and the Shuttle development program of the 1970s are not inevitable. Although it is always expensive to work on the cutting edge of technology and devise first-of-their-kind innovations, there are bigger reasons for NASA's being a high-cost operation. Most NASA suppliers and contractors work on a cost-plus-10-percent basis, creating incentives to increase costs in order to boost net revenue. In addition, NASA engineers, not working in a competitive environment, tend to choose a system for its technical efficiency rather than for a favorable cost-to-achievement ratio.

If NASA is ill-suited for the job, some will say, why not place all space transportation in the hands of an operational entity—say the Air Force? Air Force space planners are already talking about a concept referred to as the "all-blue Shuttle" (Air Force-owned and -operated). In one version, the military would offer "reimbursable flights" to commercial customers.

But the military is a poor contender for the role of operator of our nation's space transportation system. Throughout its history in space operations, the military has shown the same high-cost approach as has NASA. The military would perpetuate the problem of a single decision-point for choosing technology systems. And it is not a likely candidate for giving full consideration to private users' needs. Military operation of the nation's airmail system was tried in the pioneer days of aviation. It failed then,

First picture of earth from the ESA's Meteosat weather satellite (December 1977)

ESA

1980: OTRAG announces a new test and launch site location: Libya. A new series of successful test launches begins. However, an American TV news program suggests in a special report that OTRAG has stopped developing a satellite launcher and is instead developing missiles for sale to unreliable governments—such as Libya.

1980: Ariane's first flight is successful; its second flight, a failure.

1980: The Japanese government studies the possibility of forming a private "Nippon Rocket Co." to develop and build Japanese spacecraft.

1981: Space Services, Inc., a Texas company, announces its intent to offer space transportation on a commercial basis with its Percheron rocket. The Percheron is being designed and built by GCH. Inc., in California.

due to the general unsuitability of military organizations for solving commercial problems. Is it necessary to try the same experiment again in such an important field as space transportation?

Another alternative sure to be proposed is the convenient concept of an autonomous government agency, hiding under the name of a "corporation," to operate space transportation. This model is common in Britain and Canada (British Aerospace Corporation, the Canadian National Railroad). The closest American example is probably the US Postal Service, which was formed from the former US Post Office.

The problem with supposedly autonomous government agencies is that they are subject to the same bureaucratic abuses as are executive agencies. Government faces the same temptation to protect its creation by overregulating private competitors. And such agencies call for help often because they suffer from the same types of bureaucratic inefficiencies as do their parents.

Another prescription for trouble is to establish a government-sponsored monopoly in space. An example is the suggested use of the Communications Satellite Corporation as a model for "private" operation of the Space Shuttle. The Comsat model is an ironic choice, for although following it would not effect a privatization of space transportation, Comsat itself was the first step in the privatization of space operations.

Comsat was created in 1963 at the initiative of President Kennedy. He wanted a precedent for private operations in space before the conclusion of UN negotiations over an international treaty on the use of space; the Soviet Union was demanding that the treaty outlaw all private activity. So Comsat, a strange hermaphrodite, was born: a private corporation, created by act of Congress; an organization owned by a combination of large corporate and individual shareholders, but with three of its directors appointed by the president of the United States.

Comsat was a forward step for its time, creating a semiprivate entity where only government had tread before. As a permanent entity, however, it is both unnecessary and undesirable: unnecessary, because Comsat is entirely capable of operating profitably without government help or favor; and undesirable, because those favors give Comsat an advantage over its competitors, reducing competition and its benefits in the communications satellite field.

After Comsat, the government tried a similar set-up with Amtrak and Conrail. Yet the operational track records of these other public/private corporations suggest that Comsat's success stems from the basic profitability of the communications satellite field rather than from the merits of the hermaphrodite model.

If this model were applied to space development, advocates might be able to point to a "successful" private takeover of a government function, and indeed, a corporation would probably come into existence more quickly than if the competitive private road were to be followed. The pressures of a fully competitive market would not be operating, however. The corporation's essential monopoly on launches would guarantee steady profits without the need to take risks or try new approaches; newer technologies that increased efficiency and lowered costs to consumers would likely be delayed.

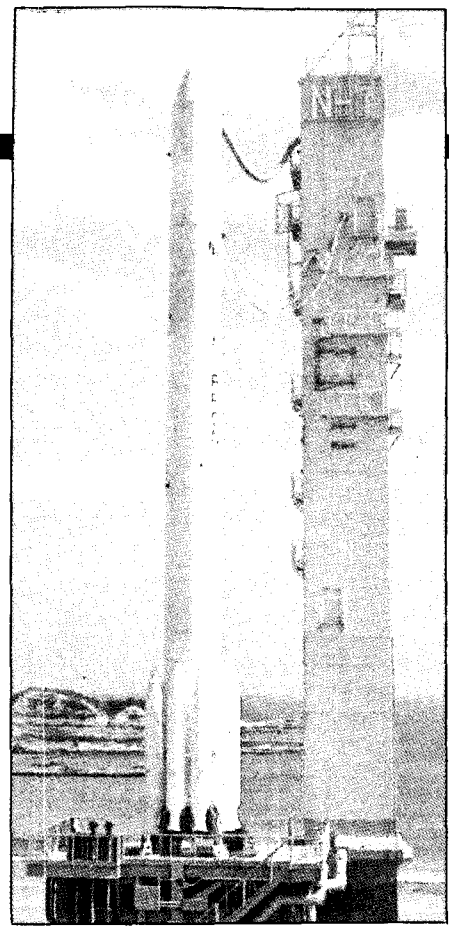
Today the use of this model is waning as field after field once assumed to be "natural" monopolies are deregulated and consumers benefit from new competition. Both AT&T and Comsat have lost much of their monopoly status in the past few years, and both they and their new competitors have benefited as a result. It would be not only ironic but tragic to impose this model on a new field.

BUREAUCRATIC PERILS

Even if space transportation is privatized in a competitive environment, there is still a serious danger of misregulation and overregulation. A fairly likely scenario would be to name an existing agency, such as NASA, as the regulatory authority over space activities or to set up a new agency staffed with personnel from other agencies.

What happens when NASA administrators become technocratic regulators? Most space engineers employed by the government have grown up in one of two environments: NASA or the military. Both

NASDA's N-II launch vehicle at Osaki Launch Site.



NASDA

1981: NASA finally launches the Space Shuttle, three years behind schedule, having invested over $9 billion in research and development. The initial launch is a complete success.

1981: The Japanese national space agency, NASDA, announces it is studying designs for a small, shuttle-like vehicle.

1981: The third flight of the Ariane is a complete success, attaining geostationary orbit 22,000 miles above the equator. Total development cost to date: over $600 million.

1981: The first model of the Space Services, Inc./GCH Percheron rocket explodes during its initial engine tests. No one is injured. SSI spokesmen announce their intent to keep working to develop the Percheron. Total cost to date: $1.2 million.

have an engineering mode in common: hang the expense; let's take the most exotic technique and make it work. This approach has certain merit if you are trying to implement a crash military program on an emergency basis or if you are working at the edge of a known technology. If a heavy-handed regulatory regime is allowed to impose NASA engineering standards for certification of private space vehicles, then the specialized service providers now emerging could soon be regulated out of business.

The Federal Aviation Administration is not likely to be much better than NASA as a regulator. Although the FAA does have a certain familiarity with commercial needs and standards, this must be traded off against unfamiliarity with the space field. Its partial credential is just strong enough to encourage it to apply aviation rules by extension—no matter how inappropriate. Moreover, the FAA's record in the regulation of commercial aviation is far from promising, what with costly delays and obstructionism in certifying new designs.

Beyond bureaucracy lies another form of government involvement that is equally perilous. Some well-meaning space enthusiasts have proposed government-sponsored investment funds or "space banks" to fund risky projects. Examined from a distance, this proposal is appealing; examined closely, it borders on the appalling.

Once again we would have a single decision point for passing judgment on technical ventures. It is true that a venture turned down by a Space Bank could go to the private capital market for funding. But any such a privately funded venture would be at a competitive disadvantage to Bank-subsidized rivals. In the light of past experience with public subsidy, there can be little doubt that the energy of space promoters would be diverted from cutting costs and expanding uses of space to selling their latest proposal to the Space Bank. Also very believable is that cronyism, favoritism, ideological fixation, and other genetic disorders of bureaucracy would sooner or later infect a Space Bank.

HOW TO DO IT RIGHT

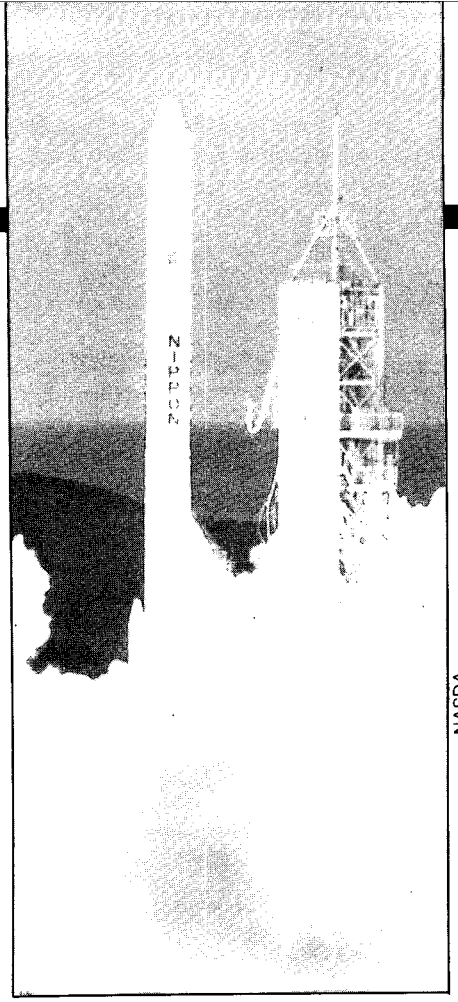
Space development stands at a crossroads. The administration and Congress will choose the direction and create the map that the future will follow.

They can perpetuate the errors of the past by patting NASA on the back and leaving it at the helm. They can choose one of the many routes by which to ensure the monopolization of space activity. Or they can opt for competitive privatization and open up space transportation to the best that entrepreneurs can offer.

For the benefit of consumers and the relief of taxpayers, the choice is clear: the US government should be doing all that it can, without active involvement, to further the establishment of a commercial, competitive merchant fleet in space. To achieve this goal, the government would have to take the initiative on several fronts:

- Because space is beyond the boundaries of the United States, space entrepreneurs cannot operate securely unless, during international negotiations, the government stands up for freedom of commerce and refuses to sign agreements that infringe upon basic freedoms and rights. To this end, the government must clearly oppose any attempts on the part of international bodies to allocate space resources or to otherwise hamper commercial space operations by US citizens.
- The government should review the liability and supervision clauses of the 1967 UN Space Treaty and the 1972 UN Liability convention. No US legislation currently addresses or implements the provisions of these treaties. To the greatest extent possible, they should be interpreted according to traditional liability principles, so that private companies can purchase the necessary liability insurance.
- Existing federal agencies should be prevented from killing private space entrepreneurship almost before it begins through burdensome regulation. A focal point of responsibility for private space

N-II blast-off to successful satellite launch



NASDA

1981: TranSpace, Inc., which has survived for 11 years as an engineering consulting firm, files with the Securities and Exchange Commission to sell stock in order to raise seed capital for TranSpace, Inc. The monies will be used to begin design work on a reusable space plane to be launched off the back of a 747. TranSpace hopes to raise $500 million to develop this "mini-shuttle."

1981: OTRAG continues testing rockets in Libya; after 10 years, it is still in business but has not yet set a date for launching a rocket into orbit.

1981: OTRAG is reported to be negotiating for a new launch site, not in an Arab or African country and perhaps in South America. New plans on the drawing board: to develop not only satellite-launching rockets but high-altitude research-gathering rockets.

operations should be designated within the federal government. The Department of Commerce would seem appropriate. This focal point would be a clearinghouse for communication of necessary information to the Department of State, the Department of Defense, and other agencies with legitimate interests.

• Privatization of the Shuttle is essential if space transportation is to come to enjoy the benefits of diverse, competitive approaches. Before the Shuttle's operational date of July 1985, there should be a firm commitment to privatize NASA's space transportation systems. A schedule should be established for turning over the systems to private operators. How this would be accomplished is no small matter, but it is possible even at this time to lay out a possible scenario containing in general terms the essential elements of a transition.

The scenario begins with the commitment to privatize the space transportation system. Subsequent to the establishment of a timetable, the turnover of facilities to private operators should commence. Contracts with NASA for launching private payloads should be given over to the new operators or renegotiated; government payloads should be sent out for competitive bidding.

Terminal facilities should be made private and available to all. To avoid monopolization, NASA facilities at Kennedy Space Center in Florida and part of Vandenberg Air Force Base in California could be turned over to competing private operators, taking another burden off of taxpayers' shoulders. New sites could also be considered, including a cost-saving equatorial space freeport, as suggested by the Earthport Project of the Washington-based Sabre Foundation.

The fate of the various space vehicles is not as significant as a decision to move government out of the business of commercial space transportation. The *Columbia* could be left in the hands of NASA to be used as a research and development vehicle. The Air Force might take over one or more of the remaining Shuttle fleet—the *Challenger,* the *Atlantis*—and fulfill their hope for an "all-blue" Shuttle fleet in a limited edition. Commercial operators would most likely decide to order newer and more efficient versions of the Space Shuttle rather than take over existing or under-construction vehicles.

PRIVATE SPACE

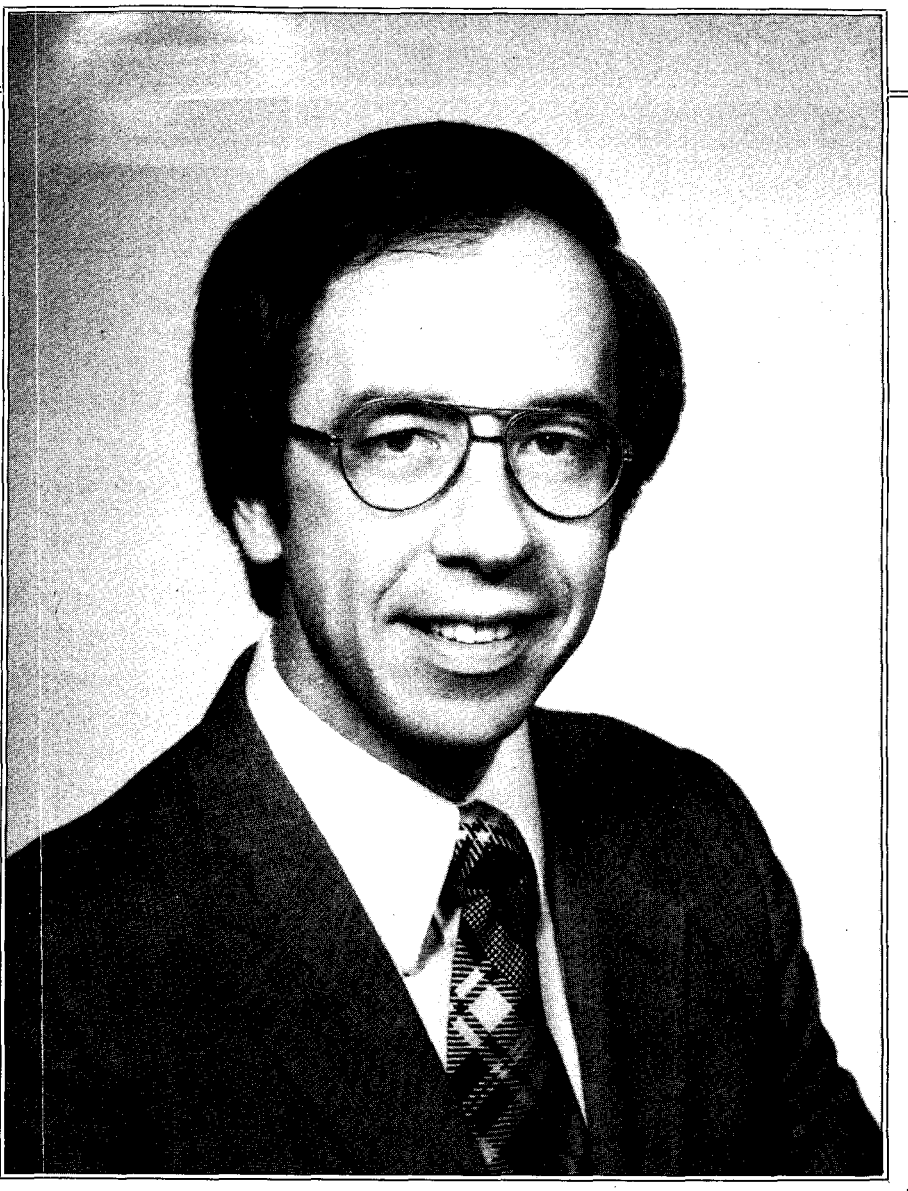
The privatization scenario is very rosy: competition lowers space transportation costs; American private firms lead in space development; a burden is lifted from the taxpayers; and even NASA enjoys the relief of not having to answer to the ire of senators for cost overruns. How likely is this picture?

It depends on many things: the success of an almost unprecedented effort to privatize a major government activity; the likelihood of avoiding the many pitfalls on the road to privatization; and, in general, the degree to which Americans make themselves aware of the fact that an important policy question is being decided right now... mostly by default.

The temper of the times is with the forces of privatization. The Reagan administration is pledged to remove regulatory burdens and seek a cure for America's economic malaise through the unleashing of American entrepreneurial ingenuity. It remains to be seen how the administration will live up to its rhetoric in the little-watched field of space transportation.

For too long advocates of private enterprise have been torn between an admiration for the magnificent accomplishments of space explorers and an uneasiness at the domination of the field by a giant government bureaucracy. The time has come for policy decisions that will move the field of space development forward by getting the government out of humankind's newest arena of endeavor and replacing it with the creative, innovative approach of entrepreneurs. ◧

James Bennett is a partner in a consulting firm that specializes in privately financed space ventures. *He would like to acknowledge the assistance of Gayle Pergamit in preparing this article.*



In the past 10 years the Federal Communications Commission (FCC) has been slowly disentangling the regulatory knot tied around the electronic communications industry. Consumers, consequently, have been treated to a boom in telecommunications.

Cable systems are sprouting up all over. Radio and TV stations swell the airwaves in record numbers. New services like direct broadcast satellite, which would beam signals from a satellite directly to a home receiver, are lining up for frequency allocations. Long-distance phone companies undercut Ma Bell's prices, while multipoint distribution services send pay-TV signals to hotels and apartments.

The FCC stands at the center of this communications revolution; and at the center of the FCC is Mark S. Fowler, chosen by President Reagan to succeed a chairman who had made significant moves to deregulate radio and telephone. Would the Reagan FCC pick up the ball—or revert to the old game?

Initial signals were contradictory. The conservative National Association of Broadcasters applauded Reagan's choice as someone who would "take a more questioning attitude toward change"—in this case, deregulation and new competition. And Fowler was reported to have criticized the recent FCC for some of its loosening of the regulatory knot. Yet his first public speeches as the new chairman announced an era of "unregulation" and promised to sweep away the bureaucratic fog emanating from Washington which, he said, "obscures the environment, clouds thinking and prevents things from growing."

Mere deregulatory rhetoric? To get a clearer picture of what lies ahead for telecommunications, journalist Milton Mueller interviewed the new FCC chief for REASON.

REASON INTERVIEW

Mark S. Fowler

REASON: Chairman Fowler, as head of the FCC you're responsible for regulating broadcasting, cable, the telephone system, satellites, and a host of other forms of radio communication. All of these areas seem to be undergoing tremendous technological, political, and economic change. How does it feel to be in the middle of all this?

FOWLER: Well, it is obviously a challenge. Technology has outstripped the program of regulation of this agency, and one of our challenges is to attempt to make our regulatory program

state-of-the-art, if you will. But it is also disturbing to find yourself in that maelstrom, because of the power of the position. I find it abhorrent that we have business groups coming to us as supplicants, making cases to be permitted to enter a market. The economy has become so politicized that all must venture to Washington to be able to do business. So it's troubling in a way.

REASON: Tell us something about your background.

FOWLER: I'm a US taxpayer and a former fetus! I like to add that—that seems fashionable nowadays.

I was involved in broadcasting for 11 years, roughly from 1959 to 1969, although I didn't own a station. First I was an announcer, then I moved into production. I was involved in sales heavily and in management as a program director. Then I went to law school and came to Washington to practice with a communications firm here. In 1975 I left and started my own firm, which was about the same time I began working for then-Governor Reagan as communications counsel.

REASON: As a program director, how did you feel the impact of the FCC?

FOWLER: We had a lot of rules and content guidelines we had to follow—so much news, so much public-affairs programming, so much what they call "other," such as religious, instructional, and educational programming. Broadcasters would often bury public-affairs and instructional programming in the so-called graveyard hours because it was a tune-out; nobody listened to it. This suggests to me that the public didn't particularly like the kind of programming the government mandated to serve "the public interest."

REASON: How do you evaluate your predecessor in this job, Charles Ferris?

FOWLER: I'll let other people do that, but I think that one of the differences might be that, although many of his policies emphasized deregulation, he would say the FCC should not deregulate until it is sure that there is a competitive marketplace—then and only then may it deregulate in the public interest. I happen to believe that many of the regulations we have actually *preclude* competition, so we have to deregulate in order to *have* a competitive market.

REASON: Ferris was instrumental in pushing through radio deregulation. I take it you approve of what he did?

FOWLER: A good step, but just a first step. Beginning back with Chairman Dean Burch in the early '70s, the FCC started to eliminate regulations, a policy he called deregulation. Succeeding FCC chairmen have continued the process. I have said that we're going to *unregulate,* and that's the difference. We're going to finish the job.

REASON: Total deregulation?

FOWLER: To the maximum extent possible—because only in this way can we ensure maximum consumer choice and diversity. We are not unregulating in order to help business, although that is a definite benefit, because it eliminates costs that are inevitably passed on to consumers. But present regulations also prohibit players from entering other markets. They constitute barriers to entry into, for example, the video marketplace. So to unregulate, we must also permit the maximum number of players to play.

REASON: Two specific examples of eliminating barriers to entry are the low-power television proposal, which would make room for thousands of new local TV stations, and the direct broadcast satellite (DBS) proposal, which fosters competition with the networks. Yet existing broadcasters have opposed these measures because they would increase competition. Do you see any value at all in protecting existing businesses from competition?

FOWLER: As a general proposition, no. You mentioned low-power television and direct broadcast satellite. Those are two matters that are pending, so I cannot indicate specifically what my position would be. Otherwise, I might be said to have prejudged those items and be disqualified from voting. But as a general matter, I would say you cannot—nor should you—stop new technology, new competitors. It's not our business to be either pro or anti any one technology. In that sense we're pro-*nothing,* or, putting it another way, we're pro-telecommunications.

REASON: Is the broadcasting industry dead set against DBS? Will this prevent the commission from permitting it?

REASON: There are some broadcasters who are opposed. However, we have said that we are not going to protect protectionism, and I think broadcasters understand that. I don't think they're asking to hide behind the skirts of the agency. But on the other hand, I would say that when there are new forms of competition, new technologies, we ought not to preclude *present* players, such as broadcasters, from being involved. Again, let the players play. And I think that has gotten a good response from the industry. They realize that we're not going to erect or maintain artificial barriers to insulate them from competition. But on the other hand, we'll let them get involved in other areas where they are now precluded by our policies and rules.

REASON: AM radio stations now use a frequency bandwidth of 10 kilohertz. Some other countries use a spacing of 9 kilohertz. A shift to 9 would conserve spectrum space and make room for new competition in AM radio. Although a shift was endorsed by the Ferris FCC, your administration has opposed it. Why?

FOWLER: As a matter of fact, we have just voted to retain 10-kilohertz spacing. We looked at it from a cost-benefit perspective. The costs were fairly definite. It would cost the industry up to $40 million to make the technical change. Between one and two million digital receivers would become obsolete. The change in stations' frequency would cause the public some disruption, although minor. The service area of existing stations would decrease because of what we call adjacent channel interference. Such interference between the existing station and the new one might reduce the service area of an existing station by up to five percent. Another drawback is the disruption it would cause the FCC, because all of the nearly 5,000 AM stations would be required to file applications. Total up all these costs, and then look at the benefits of the other side. It would create between 400 and 1,400 new stations. From a technical standpoint, we didn't know where 400-1,400 new stations would fit. Three-quarters of them might have to be built in Wyoming or Utah to comply with our technical

rules. Whether 400 or 1,400 new stations would be created depends on the power used—the lower the power, the higher the number of new stations. So you can play numbers all day. You could make them very low power stations, and you could have created 3,000 new stations. So we felt that the costs were great and the benefits were not terribly certain. The factual evidence did not permit us to be able to make a finding that the change would be worth it, frankly.

REASON: You don't think the added competition would benefit the public?

FOWLER: We now have almost 9,000 radio stations if you combine AM and FM. In Washington, for example, we have 27 stations.

REASON: The whole basis for the existence of the FCC is that the electromagnetic spectrum is a scarce resource. Because it is scarce it must be allocated by *someone*, but the market can't allocate it because we don't know how to define private property rights in something so intangible. So we are left with government allocation. Now, both you and President Reagan claim to be strong supporters of the free market. Do you feel comfortable in control of a nationalized resource?

FOWLER: Well, I question the whole concept of the scarcity of spectrum as a predicate which then requires the government to regulate how spectrum is allocated. Increasingly, technology makes it possible to squeeze more services on the air with the same spectrum. Secondly, anyone who wants to get into broadcasting can get a station for as little as $100,000, which is the equivalent of buying a pizza place in Washington, D.C. Anyone who wants to get in can get in. I just don't think it's scarce in that respect. And of course, with all the new technologies which don't use spectrum, such as cable, it makes that argument even less attractive. Besides, *all* resources are scarce.

REASON: Exactly—there is always more demand for spectrum than can be satisfied. Particularly today, when there are many new services trying to use it, how do you decide who gets what? To make spectrum space available for DBS, for example, you might have to deny it to high-definition television. How can the government make such decisions?

FOWLER: Well, you're raising a very fundamental policy question, and it's one that I'm not really prepared to comment on yet. Implicitly, you raise the whole issue of how the government is involved and indeed whether it ought to be involved.

REASON: Are you familiar with the proposals to define private property rights in the spectrum?

FOWLER: No, I'm not.

REASON: Do you believe that the First Amendment should apply to the electronic media?

FOWLER: Unhesitatingly.

REASON: Do you believe it does now?

FOWLER: No, not fully. And we're going to look at every rule and policy that affects First Amendment rights. If I had my way as a general philosophical proposition, we will seek to eliminate them.

REASON: Would that include the Fairness Doctrine?

FOWLER: That's an area we want to look at. Again, I don't want to prejudge any of this, but the Fairness Doctrine tells broadcasters that they have to broadcast things they might not otherwise broadcast, and I think that's a First Amendment question by anyone's definition.

REASON: Does the FCC have the power to eliminate the Fairness Doctrine, or would that require an amendment to the

"The Fairness Doctrine is a First Amendment question by anyone's definition."

"Opponents of deregulation want the government to sit astride the pipeline of information and ideas."

"Why is there this obsession to tamper with this box of transistors and tubes when we don't do the same for Time*?"*

Communications Act?

FOWLER: There are two prongs to the Fairness Doctrine. One prong is that a broadcaster must actively ensure that he covers all significant controversial issues of public importance in his service area. And the second one is that if he broadcasts matter concerning one issue he must balance it with all significant opposing viewpoints. Now the second part is mandated by Congress. The first one is mandated by this agency, so we could eliminate it ourselves. The second would require Congress's cooperation.

REASON: Your desire to eliminate these regulations has enraged a number of liberal organizations, such as the ACLU, the National Citizens Committee for Broadcasting, and the Media Access Project. What do you think of the opponents of broadcasting deregulation?

FOWLER: The major philosophical difference is that they want the government to sit astride the pipeline of information and ideas and suggest, imply, or dictate to broadcasters certain kinds of programming. And I would rather say, Let's leave that to the marketplace and let the people decide through the marketplace mechanism what they wish to see and hear.

REASON: Wouldn't they say that they are trying to give the public access to the media, to make the media more sensitive to the needs of the public?

FOWLER: But the question is, Who defines what the public interest is? Is it the small interest group? I was talking with the representatives of one such group this afternoon. By their own figures, they have 8,000 subscribers, or members; and they want half an hour of guaranteed access to each broadcast station each day, so they can put on programming "that serves the public interest." Well, do they represent the public interest? Or do they represent a narrow point of view? And who decides, in any case?

REASON: But the concept of a government-defined "public interest, convenience and necessity" is written into law as the guiding standard of the FCC.

FOWLER: We believe the public interest will be more surely reflected by letting people choose, through the marketplace, what they want to hear, rather than letting four people out of seven on a commission tamper with programs and issue guidelines, policies, and rules that control what broadcasters shall broadcast.

REASON: Is there much public support for broadcasting deregulation?

FOWLER: I would say most people don't think about it, but I would submit that one of the reasons they don't is that, overall, the system serves people very well. No government requirement mandated that CBS broadcast *60 Minutes* or *Sunday Morning* or *Captain Kangaroo.* I'm just using CBS as an example; the same could be said for other networks: ABC has the afternoon specials for children—that was not mandated by any government policy. No one mandated that radio carry the fireside chats of FDR. No one drew up program content guidelines during World War II, at which time radio told us every day what was happening in that great conflict. All of the program content rules and policies were adopted after WWII. No one says we have to have a Fairness Doctrine for newspapers or your magazine. And yet I think people would say that the *Washington Post* does on balance cover most of the different viewpoints on a particular issue.

REASON: What can citizens who support deregulation and the First Amendment do?

FOWLER: They can contact their congressmen—that's one thing. And I think the Congress is already willing to pass legislation which will enable this agency to get out of the way. But we are going to need the support of the people, so if someone does have that kind of an inclination they ought to let it be known.

REASON: What legislative proposals are coming up?

FOWLER: We're working on a very comprehensive package. I'm not able to tell you right now everything that is in that package, but it goes across the board. Nothing is sacred. Everything is being questioned. And everything has to be justified.

REASON: Political advertising is another hot topic these days. How is the FCC involved in this?

FOWLER: There are basically three areas. One, the rules require equal time for opposing candidates: candidates have a right to equal time on any station; if one candidate pays for advertising time, the other has to pay for it; if one gets it free, the other gets it free. The second area is what we call the lowest unit charge: all candidates, local state or federal, are entitled to purchase their broadcast time at the most favorable rates that are made available to a station's advertisers. The third area is reasonable access, which entitles federal candidates to air-time on stations.

REASON: Do you think these rules should be changed in any way?

FOWLER: Well, they infringe on the First Amendment, so those are areas we'd want to be looking at. I think there's some movement in Congress to look at them.

REASON: What motivation do congressmen have to change these rules? When it comes to political advertising, the Republicans and Democrats sit in judgment of their own case. As a Republican, how would you feel judging a media-access dealing with the Republican Party?

FOWLER: Well, if you believe in the First Amendment, I think you'd be looking long and hard at certain strictures which now dictate what's on the air.

REASON: In 1979 Jimmy Carter used FCC rules to acquire half an hour of network time almost a year before the election. Don't you think smaller parties, like the Libertarian Party or Citizens' Party, would have been denied time under the same rules? Is there a valid distinction to be made between the small parties and the established parties?

FOWLER: I would duck your question by saying that I don't think we should be involved at all. I feel strongly that that is just a prime example of why we shouldn't be involved. We have to play Solomon and maybe not bring as much wisdom as he did to the case.

REASON: We've just received notice that long-distance phone charges are going up considerably. Are these rate increases caused by the monopolistic structure of AT&T?

FOWLER: The decision to increase the rate of return for AT&T was made before I got here. But as I understand it, the reason was the higher interest rates that AT&T has to pay in order to borrow money and the higher costs of obtaining equity capital.

Under the laws we have now, the phone system traditionally has been a monopoly, but I can't say that the decision to increase the rate of return was based upon the fact that it was a monopoly *per se.* Because we're involved in common carrier regulation, we have to make a finding as to what that rate of return should be. We are, however, dedicated to promoting

(Continued on p. 52.)

When Everything's Private...

Editorial, New York Times, *October 20, 1980*

The smog in Los Angeles has been so bad lately that some people have tried to buy their own air—in the form of medical oxygen. Lacking prescriptions, they have been turned down. But the setback is probably only temporary. Any day now, someone will figure out how to privatize air. Why not? There is already a private version of just about everything else that used to be, by definition, a public service.

Some forms of private public service have long and honorable histories. Private schools predate public schools. There has been a private New York Society Library since 1754. Gramercy Park has been a private park since 1831. Other services are becoming increasingly privatized. All that Los Angeles smog comes from a sea of cars—private transit.

It is said there are now three times more private policemen—guards, neighborhood patrols, watchmen—than public ones. Private mail services compete fiercely to provide overnight delivery. And though people cannot yet buy private air without a prescription, they are spending money like water for Perrier or Saratoga or Ferrarelle.

Like the privatization trend or not, there's little to be done about it. Minimum good citizenship requires only that people pay their taxes. If they then choose to pay twice, by buying private public services, they are as free to do so as to fly first-class instead of tourist.

Still, a democracy should be troubled when a growing patrician elite glides through life, insulated from the rest of the public. There's no longer even a military draft; society now buys a volunteer army. Public services, deprived of their most influential customers, inevitably decline. The ties that bind a democratic society inevitably loosen.

And that's without considering another kind of private public service allowed under a revived California law: private justice. For $500 or more a day, litigants who are frustrated by interminable court delays may hire retired judges, find a moot court classroom at a law school, say, and go to trial at their convenience. Quick, secluded, efficient—and repugnant.

Bad enough that elite groups lose real-life contact with the public. The reverse is more lamentable, for it runs the risk that the public generally will lose confidence in the very concept of an egalitarian society. In a decent society, providing justice is not merely a public service. It is a social duty.

If the courts are so clogged that the affluent are willing to contemplate private judges, an alarm should reverberate: do something, quick to make the courts work better for everyone. But no such alarm is heard. What is being nurtured by privatization is not the consent of the governed but the convenience of the rich. What a transient bargain.

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...People Have Choices

Letter to the editor, New York Times, *November 3, 1980*

Your recognition of the movement toward privatization is welcome, but your opposition is seriously flawed. You look with disfavor on private mail delivery of messages, yet you deliver my copy of the *Times* by private messenger. Why don't *you* use the Postal Service? Probably for the same reason department stores use United Parcel Service—it's faster, cheaper, and more predictable.

Why do you find repugnant the perfectly normal situation where two parties to a private dispute voluntarily seek out a third party of their mutual choosing to settle their differences promptly? Millions of disputes are resolved daily in this manner—by friends, relatives, teachers, priests, etc. You seem to object only to having the disputants pay for such assistance, but why in the world do you consider it better to have the public at large pay—via taxes, for judges, clerks, and courthouses—to settle those private disputes? Even governments hire arbiters to resolve their differences, often under court order, and so do baseball leagues (whose arbiters are called umpires).

You are also mistaken in thinking that privatization is a convenience restricted to the rich. Neighborhood and tenant patrols give local residents a welcome choice of volunteering either their time or their money to safeguard their immediate surroundings, whereas a police department takes only money from taxpayers for patrolling the streets. Such patrols are popular, particularly in poor and lower-middle-class areas, because the public believes that it can get far more protection per dollar or per hour of effort contributed than it can via an equivalent, forced tax payment to the police.

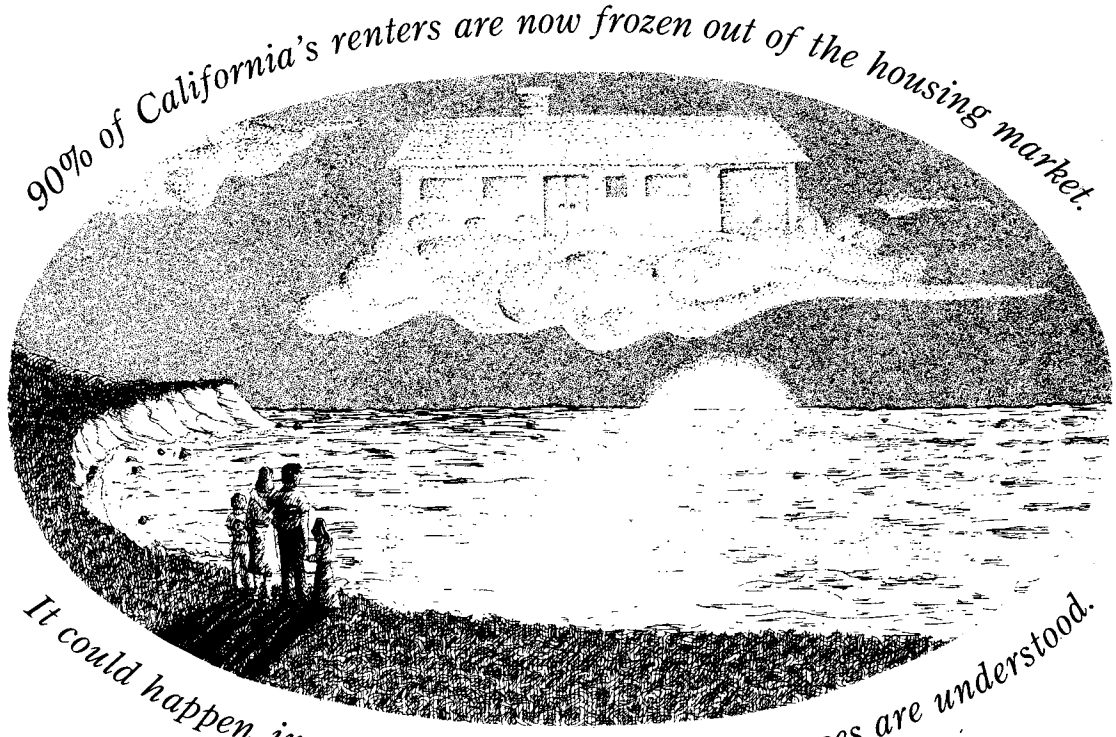
Your editorial position is that public services should be supplied only by public employees working in public agencies. You seem unaware that the resultant public monopolies—whether Postal Service, courts, or police departments—do not necessarily function in the public interest. Furthermore, they are often even harder for the public to regulate or control effectively than are private monopolies.

Alternatives, and the freedom to choose among them, are the essential elements of democracy—not public monopolies.

E. S. SAVAS
New York, Oct. 22, 1980

At the time of this exchange a professor of public systems management at Columbia University, E. S. Savas is now an assistant secretary at the Department of Housing and Urban Development.

BY M. BRUCE JOHNSON


90% of California's renters are now frozen out of the housing market.
It could happen in your state, too—unless the causes are understood.

Is the Sun Setting on the American Dream?

IN THE RECENT PAST we have seen the prices of single-family dwellings, the inflation-driven mortgage rates, and the down payments required from first-time homebuyers all soar to unprecedented heights. From 1970 to 1980 the median price of homes nationwide galloped from $23,000 to $63,000—an increase of 170 percent, compared to an increase in the general consumer price index (CPI) of about 91 percent.

In California, this shocking statistic takes us from a median home price of $26,000 in 1970 to $95,000 in 1980. (And by mid-1981 the median California home price had topped $105,000.) It is significant, incidentally, to note that the price of an average California home was only about 15 percent above the national average in 1970, while today it is over 50 percent more expensive. In other words, while all American homes were increasing in price by 170 percent, California homes were mushrooming in value by 265 percent.

Unless we understand the forces that have given rise to these effects in the housing market, and unless we take corrective steps, we can expect to see the "housing crisis" as a boldface, uppercase headline throughout the 1980s. Indeed, the public believes that high home prices, mortgage rates, and down payments are the elements of a crisis.

How can we explain the current numbers? Let's start at the *very* beginning. For 200 years, America was a place where the most desperate—and most promising—from all around the world came in search of a very special kind of life. It wasn't that this nation looked, felt, or smelled so different, and it had little to do with the fact that America was a particular spot on the map. What brought these teeming masses to our shores by the millions was a very different sort of law and tradition. Social scientists refer to it as a "unique institutional framework," and surely it was. But for the human beings who gave up everything to come here, it was all melted down into that one word: opportunity. America was a place where, if you were ready to sow, then by God you could reap.

And for a space of history spanning two phenomenal centuries, the people who came settled into a style of living that became the envy of the world. Each generation made its commitment to the future, to their children, to progress. As immigrant parents struggled long hours through difficult working conditions, they lived on the very hope that their sacrifice might indeed be their children's gain.

Success might have come at a high

Illustration by Rick Seward

The young and the less-than-affluent have been chased right out of the middle-class suburban housing market by the millions.

price, but today there is no need to debate the point: it did, indeed, come. This great struggle to pass a better way of life from one generation to the next was an effort of great charity, even nobility. And the heroic efforts of many were known but to a few relatives, friends, and neighbors.

It is not news to anyone that this American Dream has been rapidly fading of late. What may prove more interesting is the way in which, for many people, political forces of remarkable proficiency have shattered the dream.

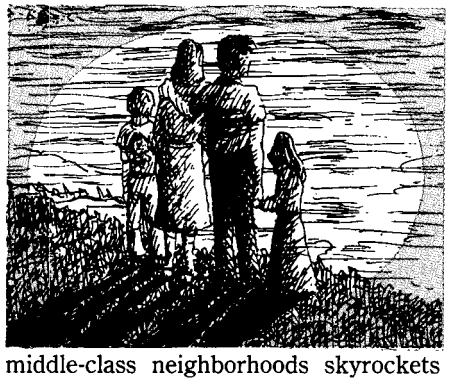
A recent survey by the *Los Angeles Times* found that in the southern California area, young married families with two wage earners are generally able to afford a home—their own piece of the American Dream—*only* if their parents give them the down payment. (This, incidentally, is usually possible only if the parents refinance *their* family home.)

As recently as 1970 a clear majority—54 percent—of Los Angeles city renters could afford to purchase a home. By 1979, the city's Community Development Department found that only 16 percent of these tenants had any real hope of *ever* purchasing their own home. Throughout California today, 90 percent of the state's renters cannot afford to buy the median-priced home. In the span of just four years between 1976 and 1980, fully half of those who *could* have afforded this purchase were eliminated from the market. Incredibly, in less than one decade, we have gone from a situation where most people who rented did so because they *preferred* such a choice, to a situation where the vast majority of renters simply have no other feasible option.

This is not to suggest that the life of the renter is tough as such. On the contrary, the residential rent index in the San Francisco-Oakland area increased slightly less than the consumer price index (excluding shelter costs) from 1975 to 1979. On the other hand, rents increased marginally faster than did the CPI (excluding shelter) for the Los Angeles–Long Beach–Anaheim and the San Diego areas.

These figures suggest that the behavior of rents cannot support the contention that there is a rental housing crisis. The problems arise when renters try to shift to home ownership.

THERE IS an interesting sociological note to all of this. These captive renters tend to be either young—predominantly between the ages of 20 and 40—or relatively poor. The traditional ladder upon which each generation climbed, and to which the poor of all generations flocked, has been dropped overboard. At the same time that the equity of homes in established upper-



middle-class neighborhoods skyrockets at a pace shocking even to those who own such homes, the gates around the "nice neighborhoods" slam shut to all those yet outside. Unless one's parents are already on the inside and use some secret passageway to let their children in, a permanent stratification of the social classes—an unprecedented phenomenon for America—looms imminent.

Ominous sociological trends support this fear. The bulk of "first-time" housing buyers—those fueling the demand for housing services—are, predictably, between their mid-20s and mid-30s. This 25-34 age group will only get larger over this decade. The postwar baby boom has now graduated and entered the job market. They will soon begin looking to purchase their piece of the American Dream. In particular, the 30-34 age bracket will reach its peak size in 1992. This contingent is relatively larger in California than in the rest of the nation, presenting even more concern.

When you add credit charges to the steep increase in the price of homes, you can see the whole picture. Take the median-priced home and calculate the monthly payment for a 30-year mortgage on 80 percent of the purchase price at the market rate of interest. For the total United States, that 1970 monthly payment was $140. In 1980 it was $549. The California figure went from $165 to $844—a "modest" increase of 411 percent! What these price explosions mean for average consumers is quite clear: they should have bought during the *last* decade.

This much is safe to say: those who venture into the home-buying market for the first time—that is without aid of equity in their own home—need no convincing that what we have on our hands, especially in California, is a first-class, certified social crisis. The young and the less-than-affluent have been cashed right out of the middle-class suburban housing market by the millions.

Of course, this is not the result intended by many of those who have been most active and articulate in championing the "reforms" that have destroyed the young American's Dream and the poor American's Dream. But as any economist must testify, intentional policies always entail unintended consequences. To sort through a situation and discover what factors account for which consequences, an economist such as myself looks at demand and supply.

First, the demand side: persistent inflation has pushed many households into higher marginal tax brackets, so the favorable tax treatment of owner-occupied dwellings has increased in importance. The deductibility of mortgage interest and property taxes, together with the fact that the value of housing services does not have to be declared as income, means home ownership has been a terrific investment.

In addition, we live in an era in which the political system has everyone's property rights "up for grabs." Given that two-thirds of Americans own their own homes, however, one's stake in an owner-occupied single-family dwelling is the safest property right around. Thus, the demand for owner-occupied dwellings has increased.

Normally, this increased demand would stimulate the production of housing, and price increases would be modest at best. In California, however, the supply of housing has been regulated in such a way as to hamper that increased production in the last decade. With the supply response blocked, there has largely been a response in prices—higher prices.

How has the supply of housing been inhibited? By local governments' adoption of measures aimed at controlling growth in their areas, such as restrictive zoning

The human cost of dreams interrupted by the cruel threat of exploding home prices does not afford us the luxury of ignorance.

laws and moratoriums on new water and sewer hook-ups; by building codes that impose costly standards and delay technological advances; by rent controls that discourage housing investments; and by limits on converting rental units to condominiums (ironically, for many people, the first rung on the homeownership, equity-building ladder). All these measures have had the effect of reducing the supply of available land and housing over what they might have been absent those policies. The ultimate result has been an increase in housing prices.

AT A RECENT CONFERENCE sponsored by the San Francisco-based Pacific Institute for Public Policy Research, the extent of some of these effects were laid out:

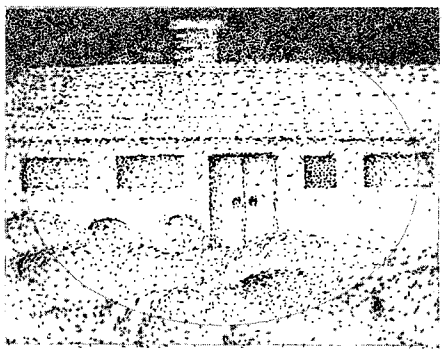
Item: Economists Lloyd Mercer and W. Douglas Morgan reported the results of their study of Santa Barbara County housing. They found that growth-control regulations and restrictions accounted for more than 27 percent of the increase in real housing prices during the 1972-79 period.

Item: Urban studies expert Bernard Frieden looked at four proposed developments in California. He reported that local government growth restrictions resulted in the approval of only 3,445 units out of a proposed total of 25,514, for a net loss of 22,069 housing units.

Item: Economist H. E. Frech analyzed the actions of the Coastal Commission in Ventura County. (In addition to local governments, California has coastal commissions set up to protect the coast from development.) Frech found that the typical resident living in a region between the coast and a line 13 miles inland, while benefiting in some respects, was a net loser because of Coastal Commission–caused increases in housing costs.

Item: Norman Karlin, a legal scholar, and Carl Dahlman, an economist, reported on their several studies of zoning measures. Zoning, they concluded, has evolved into a device principally for protection of the investments and lifestyles of existing residents, to the exclusion of moderate- and lower-income families.

Item: Economist Richard Muth concluded that the so-called crisis in condominium conversions is nonexistent—that cumulative conversions of rental units to condominiums have had only a miniscule effect on the stock of rental units and on the rental market. Puzzling over why there is a popularly perceived condominium conversion crisis, Muth suggested that it may be a politically motivated phantom crisis; it may be in the interest of politicians and others in government service to assert the existence of a crisis in order to increase



political support among their constituency of renters.

Item: Legal scholar Robert Ellickson studied inclusionary zoning, whereby local government authorities require, as a condition for permit approval, that builders sell a portion of new housing units at below-market (and sometimes below-cost) prices. The beneficiaries of this program of income redistribution are supposed to be low- and moderate-income families. In practice, almost all inclusionary units have been "given" to families in the middle third of California's income distribution.

NOW THE OBVIOUS QUESTION is, If these policies have these effects, why did local governments ever put them into place? The answer is not difficult to fathom.

Suppose you live in a nice neighborhood. You have a nice place. You like your neighbors—or at least their lifestyles—and the folks at the supermarket are reasonably pleasant. You've seen *your* American Dream come true.

Now just a block or two away (you hear through a friend), someone is planning to replace a couple of nice old homes with a big, new three-story apartment house for 35 people. Apartments! Your streets are already crowded enough at 5:00 P.M. The line at the Post Office is sufficient. Finding a parking spot at the grocery store is already a minor challenge. You don't need any more neighbors to befriend; your bridge or tennis foursome is already complete, thank you.

And just like that, you and many of your neighbors are right down there at city hall extolling the virtues of open space, low density, and the natural ecology. The wealthier your community is, the more impressive will be the turnout.

You find that you have many votes behind you; you quickly learn at city hall that you have many friends before you. The local politicians will be pleased to greet you and listen to you whenever you and your well-dressed friends come calling. You represent votes, while the prospective apartment dwellers do not. The apartment building permit? Denied!

Okay. You've blocked the apartment, and your nice neighborhood has been saved. That is just swell—provided you own your own home or own an apartment building nearby. But, if you are just a renter in this environmentally concerned part of town, you've got a problem, because your rent is going to go up. Given some level of demand, when the supply of housing is restricted, prices are forced up—all else equal.

So while homeowners in the neighborhood all go back to their nice, quiet living rooms to gloat over home prices in the classified section, the apartment dwellers now have to make *their* trip to city hall. This time it will be to protest those despicable landlords who, in taking unfair advantage of a "temporary" housing crunch, just jacked up those rents as high as the market would bear. Whatever the past level of rents, all of a sudden landlords have turned "mean" and "greedy."

Well, the city council *will* put a stop to that. Rent controls will take what Jane Fonda calls "the greed quotient" out of the apartment business.

And there is your one-two housing market punch: First you use "environmental" zoning to eliminate all new construction of low- to middle-income units, then you go to rent controls to make certain that the existing residents won't have to pay the price to keep others out. The benefits will be had by *established* homeowners and tenants, and the costs will be borne by apartment owners and potential low- to middle-income home-

buyers and tenants now excluded from the neighborhood. Mission accomplished.

WHAT WAS the unintended consequence in this instance? True enough, the existing residents can be seen as acting solely in their own financial interest, and in this they profit handsomely. Yet it is in the manipulation of seemingly public-spirited laws and officials that the political "invisible hand" of unintended consequences leads to complications.

Surely it costs something to keep nice neighborhoods nice, which has come to mean "nice and not growing" in today's status quo world. Indeed, the very proposition that outsiders are being turned away by restrictive zoning vividly demonstrates that these prospective residents are being made to bear a formidable cost—the lost opportunity to move into a nice neighborhood. And for the privilege of possessing a resource now more scarce in supply, monopoly returns will accrue to existing homeowners as huge property value windfalls.

Empirical evidence is now piling up to overwhelm the last elements of doubt. Bernard Frieden of the Massachusetts Institute of Technology has masterfully detailed the politics of no-growth zoning in his 1979 volume, *The Environmental Protection Hustle.* Studying the San Francisco Bay area, Frieden found that wealthy homeowners' associations were expert in allying with professional environmentalists to limit, not *all* growth, but the most dastardly kind of growth: middle-income housing. Frieden found several instances in which progressive, new, environmentally enhanced developments were sacrificed in favor of permitting only "downzoned" upper-middle-class housing. In some instances, even public parks and open space (and free bus service to local BART terminals) were thrown out in the quest for "environmental purity."

A recent study conducted by economists Jennifer Wolch and Stuart Gabriel confirms such observations. "Local land-use regulations," they conclude, "have a perceptible and significant impact on Bay Area housing prices." Specifically, they find that "land-use controls implemented by the local governments together account for approximately 14% of the price of a typical Bay Area home." And as cited above, state regulations, such as those imposed by the California Coastal Commission can additionally push home prices much higher still.

The Wolch and Gabriel analysis is of further interest in revealing the sociological make-up of those communities that tend to be the most restrictive. When they divided Bay Area cities into "restrictive" and "unrestrictive" categories, they found that "not only are virtually all residents of 'restrictive' cities white (93%), but their mean annual income is $21,499, or 34% higher than incomes of residents of 'unrestrictive' cities. They are also much more likely to be white collar workers, as opposed to blue collar or service sector employees." As expected on the basis of the analysis, housing prices are 75 percent higher in restrictive cities. Understandably, then, the authors of this study express some skepticism that the real reasons for exclusionary zoning ordinances are the ones explicitly advanced—"service adequacy, environmental protection, and fiscal balance."

I maintain that the individual legislators, regulators, and citizens' groups that achieved the policies necessary to grant such perverse and discriminatory results *intended* nothing of the sort. They *intended* only to respond, as best they knew how, to the political pressures directly on them. It was not their intent to reward the rich and penalize the poor.

But good intentions are clearly overrated. They are not sufficient compensation for those who suffer, nor are they a reasonable excuse for those who gain. The numbers tell their own story, swell sentiments notwithstanding. From 1977 to 1979, the percentage of first-time homebuyers fell by an incredible 50 percent—from 36 percent of all homebuyers to merely 18 percent. Today, according to the Federal Home Loan Bank, only 15 percent of the prospective homebuyers would even be able to afford the monthly payments.

MANY CRITICS of escalating home prices say loudly: "The housing crisis is killing everyone!" In fact, though, not all homebuyers are equally affected. While the percentage of first-time homebuyers has been reduced, the ability of repurchasers to buy homes has been another story altogether. The figures for 1979, for example, show that the average purchaser was able to realize almost $31,000 from the sale of an existing home, while the median down payment for all homes was but $12,300. In other words, many established homeowners were able both to move to new quarters and to cash in a money dividend on the increased value of their single-family home investment.

Just as not all individuals are affected in similar directions, not all geographical regions are alike. Even a sweeping generalization comparing the entire western United States can point out some interesting disparities—and lead us to conclusions with far-reaching implications. A progressive climate for family home development helped allow the South to hold median home prices 40 percent below those in the West in 1979, despite the fact that 46 percent of the southern homes purchased were brand new, as opposed to only 29 percent of those bought in the West. An obvious clue is provided just here—new homes are relatively more abundant in the South. Further illustration is provided by the interesting statistic that the median age of a house bought in the southern United States in 1979 was only three years—as against nine years in the West.

While pundits, spokespersons, legislators, and desperate young families uniformly blame the villain of "high costs" as the root of all housing evil, a more careful and subtle analysis is appropriate. Housing prices have unquestionably gone through the roof in other parts of America, but in California they have shot through the ceilings of 30-story highrises. Most emphatically, this *cannot* be explained away by "the high cost of money," "avaricious construction unions," or "greedy developers."

The demonstration is simple: Look at Houston, Texas. They must certainly pay as much for credit as we do; otherwise they would get no financing. Their real wages and profits must, in real terms, be very close to ours, else California would play host to a large number of Houston migrants in search of California treasure. Quite to the contrary, Houston is the fastest-growing major city in America. The one real difference—the significant variable, as economists say—is the government's land-use policy. Houston has *none.* There, consumers are free to bid on—and to use—any land they desire so long as they are willing to pay the price. That price must be sufficient to outbid all the competition, which is only to say that such land will go to its highest value as determined by the buying public.

(Continued on p. 50.)

WHY SHOOT J.R.?

From Midas to Shylock to J. R., artists and writers have portrayed businessmen as bad guys. A Hollywood screenwriter asks why this picture is appealing.

BY CHERI ADRIAN

NEAR THE BEGINNING of this century a young man from a poverty-stricken family left his home in the mountains of Tennessee and traveled to New York City to make his fortune. Year after year as he worked, taking whatever jobs he could find, he sent money home to his elderly mother—more and more money, because he was increasingly successful in the world of finance.

After some years, he found himself finally the very wealthy president of a large New York bank. He married a fine young woman and took her back to Tennessee to meet mother, his first visit home in the years since he'd left.

"By the way," he said to his new wife as they approached the old homestead, "don't mention anything to mother about the bank."

"Why not?" his wife asked.

"Because she would be awfully disappointed and quite embarrassed to learn how I've made all this money."

"What does she think you do?" asked his wife.

"She thinks," the banker said, "that I've finally made a success at my music. She thinks I still play piano in a bawdy house."

This story, told to me by an actual New York banker, illustrates something important about the relative esteem in which economic and artistic endeavor are held in some parts of our culture. All through my study of literature I have been intrigued by literary views of business and money. My interest has expanded with my recent practical experience as a screenwriter in Hollywood—a world in which artistic and economic endeavors are intimately connected, though whether in loving embrace or in hand-to-hand-combat it is not always easy to know.

ECONOMIC DRAMA

It is natural for human beings' economic concerns to be portrayed in art. Artistic works express and evoke the meaning, the spiritual significance, the values, of the ways we live; and economic endeavor is central to human experience. How that endeavor is viewed in a culture influences and is influenced by its artistic renditions. Stories, whether heard orally or read or seen presented dramatically, express and transmit attitudes and assumptions about what life is or should be like, what

Photograph courtesy of Lorimar, Inc.

Why do the greedy tycoon and the petty villain-victim dominate our literary images of economic man?

human beings are or can be.

Life, as most of us have no doubt noticed, requires action to sustain it and the overcoming of certain obstacles within ourselves, among other people, and in the inanimate world. Artists, too, have noticed this, and their stories are portrayals of the dramatic conflicts that arise from the actions we take to fulfill our needs, meet our desires, reach our goals. What about human beings leads them into the economic arena? How do human beings pursue economic goals? What conflicts arise in the process, what factors lead to success or defeat, and what consequences do success or defeat entail?

What leads human beings into economic endeavor seems simple enough: we need to eat—many kinds of food; our resources are limited—and do not fall automatically into our mouths. The art of economically primitive cultures has much to do with this economic preoccupation; the hunter is a central figure, his ordeals of much interest. The qualities of character required of the good hunter—skill, strength, cleverness, courage, perseverance, wisdom, and, not incidentally, spiritual goodness—make the hunter an archetype of a successful human being and the hero of many stories.

In a culture that no longer depends on hunting but has evolved a complex economic system in which money takes the place of game, the analogous archetypal figure is someone who makes money. For us, economic man (economic person) is embodied in the businessperson.

We might think, then, that this figure so central to the maintenance of our existence would be a major figure in our art and that the exploration of such a character would include much attention to the personal qualities that lead to success or defeat in the overcoming of obstacles to material success. Such is not the case, however, and this is the puzzle. The trader, the businessperson, is a relatively rare character in literary art, particularly as a protagonist. And when he—or, still more rarely, she—does appear, it is generally not as an embodiment of positive human values but as an embodiment of human evil and human weakness.

GREEDY OR PETTY

There are two dominant images of the businessperson in our culture and in our literary art. One is a creature who exploits labor and uses polluting methods and materials to produce shoddy products sold at outrageously exorbitant prices to customers deceived and conditioned by false advertising in order to obtain inordinately huge profits that will allow continued indulgence in tasteless consumption, superior social status, and the expansion of power over numerous helpless victims. This is the image most often portrayed on television and in the movies.

A while back, for example, I picked up a *TV Guide* in search of programs about business figures and found three, described as follows:

Revenge-bent executive Dana Andrews uses ruthless methods to build a big dairy account.

Barry Sullivan portrays Mark Burdette, a greedy opportunist who kills antelope on Indian hunting grounds and sells the meat at a large profit.

Arthur Hill stars as a Wall Street tycoon whose supposed illness causes suspicions of a stock market swindle.

In film we recently had the image of Marlon Brando, the oil tycoon of *The Formula,* who withholds a new energy source from a desperate world and resorts to the most evil machinations, including murder, to sustain his profits and power. The all-powerful, greedy, evil opportunist has a long history in our literature, from the harsh factory owners of Dickens to the meat packers of Upton Sinclair to the financiers of Theodore Dreiser's novels, like Frank Cowperwood, who build their fortunes on the suffering and financial ruin of other people.

Hermes, the Greek god of commerce, was also the god of thieves, of craftiness and duplicity.

There is, however, another image of the businessperson that in serious literature is quite as dominant: the businessperson who himself is seen as the victim of a culture dominated by economic concerns. There is, for instance, Arthur Miller's Willy Loman, portrayed in *Death of a Salesman* as a desperate, dishonest-out-of-necessity, hopeless loser. There is Sinclair Lewis's Babbitt, who "made nothing in particular, neither butter nor shoes nor poetry, but. . .was nimble in the art of selling houses for more than people could afford to pay"; who lived a life of utter conformity so unremarkable that even his immoralities were disappointingly petty; a ridiculous and pathetic creature bored and, as generations of literature students will affirm, consummately boring. More recently there was the clothing manufacturer in Steve Shagan's *Save the Tiger,* a man so desperate to save his failing business that he pimps for his clients and ultimately hires an arsonist to destroy a factory in order to defraud his insurance company out of enough money to stay afloat.

The greedy tycoon and the desperate,

petty villain-victim of a commercial culture—why is it that these are the dominant literary images of economic man? They are not the only images in our literature. In the 1950s there appeared a number of popular novels, such as Shepherd Mead's *The Admen,* Sloan Wilson's *The Man in the Gray Flannel Suit,* John P. Marquand's *Point of No Return,* Cameron Hawley's *Executive Suite* and *Cash McCall,* which portrayed the corporate executive sometimes as an ambitious and creative person in conflict with a corporate system in which the primary values were security and conformity. And there is Ayn Rand's *Atlas Shrugged,* published in 1957, perhaps the most extensive and polemical exploration of economic behavior in our fiction and one offering some of its moneymakers as towering protagonists.

These are a few and minor exceptions, though. By and large, the person motivated by economic concerns is portrayed as inevitably dishonest; coldly indifferent to the sufferings of others; clever but not deep; uncreative and unproductive; and devoid of any moral, spiritual, or aesthetic values or sensitivities except those that serve the achievement of his own comfort, social status, and power.

ANCIENT STEREOTYPES

What are the sources of the artist's antipathy to moneymakers? We may think first of the Marxist critique of the capitalist, which has certainly given literary artists much of the language and conceptual framework of their portrayals of businesspersons. Or we may recall the critical portrayals in 19th-century literature of industrial capitalism and commerce—Dickens's cruel factory masters or his heartless miser Scrooge.

But the artist's antipathy to the businessperson is much deeper and more ancient than these. As Miriam Beard points out in *A History of Business,* the earliest written literature left to us in Western civilization, Homer's *Odyssey,* portrays the trader as a creature to be despised. When Odysseus comes as a stranger to the court of a neighboring king, he is goaded into joining their athletic contests

Yet we must ask whether the pursuit of material wealth is an inherently ignoble pursuit. Is it inherently unlovely?

by this worst of all possible insults:

. . . I would not say you were like a man skilled
In contests of the many sorts that exist among men,
But are like one who is used to a ship with many oarlocks,
A leader of sailors who are also merchantmen
With his mind on a load, an overseer of cargoes
And of gain got by greed.

The furious Odysseus leaps up to hurl a huge weight farther than anyone else, proving himself a hero, a warrior, and an athlete and ensuring that he would never again be mistaken for a trader.

It is worth remembering too that the Greek god of commerce was Hermes, the messenger of the other gods and the deity of wealth, trade, and travelers; of manual skill; of oratory and eloquence (the god of salespitches and advertisements?); and also of thieves, of craftiness and duplicity.

Plato, in what literary scholars refer to as his utopian fiction, refused the trader citizenship in his Republic. For Plato, business was "despicable cattle-barter."

The Roman poet Ovid likewise scorned "seafaring merchants," who, he said, can "make their millions/till they and their lies are shipwrecked at last." And it was Ovid who gave us the myth of Midas, who had occasion to regret the fulfillment of his wish that everything he touched would turn to gold.

Midas has remained one of the best-known stereotypes of the pursuer of wealth, Scrooge's ancestor, the first in a long line of literary misers. The miser—foolish, fearful, and incompetent—was a stock character of Roman drama. The complaint against the miser is not simply that he values money above all else but that he is utterly unproductive. He hides his money, he counts it, but he makes no use of it. And, stupidly, he believes that the money is an end in itself.

With the domination of Western culture by Christianity came other images—Jesus driving the moneychangers out of the temple, St. Paul's "the love of money is the root of all evil." These were supported by an institutionalized philosophy that linked the abandonment of one's material self-interest and the achievement of spiritual values.

With the rebirth and growth of trade during the Renaissance, the true ancestors of the greedy tycoon and the despised small-time businessperson began to flourish on the literary scene. The former is most dramatic, of course: a financier, like Shakespeare's Merchant of Venice, Dante's Florentine bankers (his usurers in hell), Marlowe's Jew of Malta. These are Machiavellis, evil Italian villains of the first order, and many of them Jews to boot—another sign, in a predominantly Christian culture, of their evil.

At the other extreme is the small-time operator, clever enough to trick others out of their money but subject to being victimized himself by someone shrewder still. Or there is the stock comic figure of 16th-century Italian drama, a small-time merchant called Pantalone, a silly old fellow successful in finance but not in love, whose dull dress is the symbol of his unromantic nature: he has no style, no imagination, no culture.

RIDICULE VS. RESPECT

Pantalone is the forerunner of the character who became in the 17th and 18th centuries the "bourgeois gentleman"—a comic name, of course, since (in that time, at least) it was obviously self-contradictory. Moliere's play of this name tells the story of an up-and-coming businessman who wants—desperately—

to acquire the culture that will give him the social status of those of noble blood and inherited wealth. But the bourgeois gentleman is often gulled, is hopelessly literal-minded, and is a ridiculous flop.

It is not irrelevant that the literary artist of this time existed through the patronage of those historically declining noble classes who felt threatened by the new merchants' increasing wealth and status. Part of the writer's job was to help maintain the gulf between those who had spent their lives with money and so had had time for cultural pursuits, and those who had spent their lives making money and were only now attempting to acquire culture.

In time, however, the upper classes came to identify their own interests with the interests of the traders in increasingly commercial societies, and literary endeavors came to rely less on patronage and found a market. With this evolution, economic characters began to be portrayed as serious and even admirable specimens of humankind. Addison and Steele's *Spectator* papers, for instance, give us the good and successful merchant Sir Andrew Freeport, who demonstrates the faith of the freetraders that a man moderately pursuing his own financial interests is an asset and benefit to his society.

Some of this enthusiasm lasted well into the 19th century. Some American writers, dedicated to the rise of the common man and to the expansion of material progress, delighted in a new kind of economic man—the inventor-industrialist—unleashed by the new economic system. Mark Twain's Connecticut Yankee includes such figures when he lists "the creators of this world—after God": "Gutenberg, Watt, Arkwright, Whitney, Morse, Stephenson, Bell."

Still, in the popular imagination Twain's creator was easily overpowered by Dickens's powerfully drawn industrial slavemasters or Balzac's greedy, grasping, middle-class creatures who sold their souls for material acquisitions. And it is these characters who still today represent in art, both high-brow and popular, the consequences to the human spirit of the quest for economic values, the pursuit of money.

ECONOMICS AND AESTHETICS

Artists will say that they draw from life, that the reason these characters are featured in literature is that they do exist. What is puzzling is that they are, with few exceptions, the *only* images that exist. It is difficult to deny that enormous advances in and benefits to human life have occurred wherever trade has flourished and economic motivation been encouraged. Why have artists not been moved to explore the economic characters and actions responsible for this increased prosperity?

We know that since the beginning of Western civilization, business and trade have been regarded as dirty work, the pursuit of wealth as devotion to Mammon, the god of earth; those in a society who had to work for a living had little time for what were regarded as more ideal, heroic, or spiritual pursuits. Between the artist and the businessperson, then, there seems to be a gulf in values of long historical duration.

But is this gulf perceived or imagined? *Are* there fundamental conflicts of value between the pursuit of economic gain, of material values, and of spiritual or aesthetic pursuits? In the maintenance and advancement of human life, are material values inherently inferior? Is the pursuit of material wealth an inherently ignoble pursuit?

Further: Are the qualities of character required for the successful pursuit of money inherently unlovely? Are the considerations, the priorities, required in the pursuit of money inherently destructive of human character, or do they advance it? Are there in the very nature of economic behavior—in competition, in bargaining, in pursuing short- or long-range economic interests—inherent conflicts with the pursuit of other values and the fulfillment of other human needs?

It would seem that in some ways economic endeavor is not different from the pursuit of any other human value. Money, after all, is not an end in itself. There is an enormous range of motivations for making money: the enjoyment of material goods, of status, of satisfying mom and dad, of fulfilling a dream, of giving gifts, of leisure time, of confirmation that one's work is valued, and so on.

Of course, the making of money is often a fortuitous byproduct of some other desire, say to create or produce something that, lo and behold, turns out to be of value in the market. But what if the production or creation of something wonderful is instead a byproduct of the desire to get rich—is the endeavor then of less spiritual value or more damaging to character?

It is true that money, which is a means to other ends, has often become the measure or standard of success and achievement. Do we therefore suffer from a confusion of values? Is this the artist's complaint with economic motivation?

In fact, it is not only in the pursuit of money that human beings sacrifice other values, behave like scoundrels, and create for themselves utterly miserable lives. Certainly there are numerous stories of great artists who sacrificed their friends, their families, and their own characters in order to produce (or along with producing) their art. How is it that artists' stories—even these artists' stories—are so lovingly protrayed, while the businessperson remains a stereotypic villain and an object of ridicule? Several explanations occur to me.

UNFAMILIAR WORLD

Most people, including artists, tend to be ignorant of economics and of how economic advancement occurs. Most people, including artists, haven't the faintest idea what the businessperson actually does, and in particular what service the businessperson renders. What many people *think* the businessperson does is well exemplified in Antoine de Saint-Exupery's story *The Little Prince.* The prince's travels to various planets bring him once upon a businessman, who is preoccupied with counting the stars. When asked what he does with the stars, the businessman explains that he owns them (501, 622, 731 so far), which makes him rich, which makes it possible for him to buy more stars if any are discovered. He owns them, he says, because he was the first person to think of it:

"When you find a diamond that belongs to nobody, it is yours. When you discover an island that belongs to nobody, it is yours. When you get an idea before any one else, you take out a patent on it: it is yours. So with me: I own the stars, because nobody else before me ever thought of owning them."

"Yes, that is true," said the little prince. "And what do you do with them?"

"I administer them," replied the businessman. "I count them and recount them. It is difficult. But I am a man who is naturally interested in matters of consequence."

The little prince was still not satisfied.

(Continued on p. 51.)

HOW Sunkist PUT THE SQUEEZE ON THE FTC

By Michael McMenamin and Diane Connelly

BY THE SPRING OF 1981, the world of Sunkist had returned to normal:

- Nearly half of the year's record crop of western navel oranges was being withheld from the consumer market under an industry-run marketing control process dominated by Sunkist.
- Wholesale prices for navel oranges were 12 percent higher than the year before despite a bountiful 30 percent increase in the harvest that, in a free market, would have lowered prices.
- Litigation by the Federal Trade Commission (FTC), originally intended to reduce Sunkist's monopoly power over the western citrus fruit industry—power granted to it by another arm of the feds, the Department of Agriculture (USDA)—had ended with a minor wrist slap and a fully intact Sunkist-USDA monopoly.

The rosy orange glow in Sunkist's future is not an accident. It has more to do with the political climate in Washington than with growing conditions in southern California. The brief spate of adverse national publicity last April has faded from the public memory. People have largely forgotten the scenes of tens of millions of navel oranges dumped and rotting in the sun to keep prices artificially high.

Meanwhile, the political power of Sunkist in our nation's capital is as strong as ever. Just ask the FTC. It learned about "orange power" the hard way—and it barely survived the lesson.

Of course, it's hard to shed tears over the FTC's being taught a lesson by anyone. The good it does by accident is more than offset by the harm it does intentionally. But the story of why and how Sunkist cowed the FTC goes a long way toward explaining the impunity with which the giant orange cooperative last spring caused the destruction of tons of oranges while the USDA smiled in satisfaction and the Justice Department stood by, ready to levy $10,000 fines against "criminal" growers who tried to offer more than the allotted share of their crops to willing buyers.

SLEEPING GIANT

The Federal Trade Commission is an unlikely enemy for a large, government-protected business entity like Sunkist. It is a child of the Progressive Era, that age in which Teddy Roosevelt, William Taft, and Woodrow Wilson served as presidents; trusts were being busted; and big-business leaders like Andrew Carnegie and Judge Elbert Gary of US Steel were openly praising the benefits of government price-fixing and federal regulation of the economy. The Federal Trade Commission Act, passed during President Wilson's administration, was designed at the behest of business leaders like Carnegie and Gary, to eliminate the "uncertainty" engendered by the courts in interpreting existing antitrust legislation (the Sherman and Clayton acts).

Wilson obliged the big-business desire for stability. By the end of his eight years, he had brought far fewer antitrust cases than his Republican successors, Harding and Coolidge, would. But he also appointed Edward Hurley as the FTC's first vice-chairman and later its chairman. As Gabriel Kolko records in *The Triumph of Conservatism,* upon his promotion to chairman, Hurley told the National Industrial Conference Board:

I do not know anything about the law, and that applies to the Clayton Act and to the Federal Trade Commission Act. In my position on the Federal Trade Commission I am there as a business man. I do not mind telling you that when I was offered the place I told the President that all I knew was business. . . and that I would apply the force that I might have in the interest of

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business. . . and I think that the business men of the country will bear me out when I say that I try to work wholly in the interest of business.

The interest of *big* business is what Edward Hurley meant. That was the way the FTC was intended to work and, with few exceptions, that was the way it did work until the 1970s. As one government observer summed up the FTC's record in testimony before a congressional hearing in 1974:

The people who head the agency carefully avoid. . . controversial areas and. . . concentrate their attention instead on targets that don't—and can't—shoot back at them. They carefully search out instances of petty fraud to get in their quota on the "deceptive practices" side of their docket. On the "antitrust" side of the ledger, the filler is an endless series of cases involving equally petty instances of so-called "unfair" business practices used most frequently in the competitive rather than the concentrated sector of the economy. . . .

Even as this indictment was uttered, however, the FTC was in the process of changing. Ignoring its origins, in the 1970s the agency started picking fights with some of the biggest vested business interests in Washington. Antitrust actions or investigations were commenced against the heavily regulated insurance and drug industries, the American Medical Association, the organized bar, and, ominously for Sunkist, large agricultural cooperatives.

BEEFING UP THE FTC

At first, this new-found activism did not manage to offend Congress. Indeed, Congress appeared to be pleased, for in 1974, via the Magnuson-Moss Act, it obligingly gave the FTC increased authority—to promulgate industry-wide regulations of competitive conduct.

Up till then, the FTC's modus operandi had been to deal with individual companies case-by-case if there was reason to believe that their activities were unfair or anticompetitive (the scope of the FTC's judgment). The half-baked theory behind granting increased rule-making power was that such case-by-case adjudication was too time-consuming and unpredictable. Congress believed at the time—and the FTC eagerly agreed—that what was really needed was agency power to make preemptive regulations governing entire industries.

For organized business interests, the predictability of uniform government regulation was appealing. With no regulation, a business's competitors might gain the upper hand by engaging in practices that *this* business owner would never *consider*; but with regulation, every business would have to toe the same line. Regulation would banish some of the uncertainties of competition. So business lobbyists didn't object too vigorously to the Magnuson-Moss Act.

The story of why and how Sunkist cowed the FTC goes a long way toward explaining the impunity with which the giant orange co-operative caused the destruction of tons of oranges last spring.

Armed with this new ammunition, the FTC promptly proceeded to shoot itself in both feet. Now, in addition to its actions against long-protected big business, it began to initiate wide-ranging proceedings against a host of decentralized industries made up largely of small businessmen. No doubt it viewed its activities as protection of the otherwise defenseless American consumer from such evil examples of capitalism as home insulators, vocational trade schools, advertising for antacids, advertising for ophthalmic goods and services, funeral homes, health spas, hearing aid dispensers, mobile home and used car dealers, and television advertising for children's products.

What the FTC failed to appreciate was that the case method only offended one company at a time, while competitors sat by and chuckled at the poor fellow's bad luck to have been singled out by the feds. Promulgating a rule for an entire industry, on the other hand, meant that all the businesses in that industry would be united against the FTC.

CO-OPS UP IN ARMS

Sunkist was not initially upset with the FTC's new activism, but that soon changed. Because of the illegal excesses of the dairy lobby that came to light in the Watergate investigations, it became fashionable during the Ford administration to take on the dairy lobby, and agricultural co-ops generally.

In 1976 the Ford Justice Department issued a massive 600-page report recommending the abolition of USDA milk marketing orders, whereby milk producers can jointly decide how much milk will be sent to which markets, thus controlling the prices of milk and milk products. The report also recommended that antitrust laws be more vigilantly enforced against the predatory practices of the giant milk co-ops. For a time in late 1975 and early 1976, Edward Kennedy appeared to have singled out dairy co-ops as his next deregulation target after the airlines.

The FTC staff did Justice and Kennedy one better. It investigated *all* USDA agricultural marketing orders—from milk to citrus fruit to nuts. Farmers and the USDA are of one voice in explaining the benefits of these orders: to assure a stable supply of good-quality farm products. Of course, achieving a stable supply means that goods must be withheld from the market in bountiful years or seasons, which means that the marketing orders directly result in higher-than-otherwise prices. In a comprehensive report issued in 1976, the FTC documented in meticulous detail the absence of any economic benefits from agricultural marketing orders except their usefulness as a device for transferring income from consumers to farmers.

Needless to say, Sunkist and other agricultural co-ops were not happy. As not-for-profit organizations, they have tax breaks from the government that other corporations only dream about. They are allowed to conspire together and fix prices with impunity. For such acts, their counterparts in non-agricultural businesses would have long since landed in federal penitentiaries.

It should come as no surprise, there-

fore, that agricultural co-operatives were quite concerned about protecting their privileged position at the public trough. Much to their dismay during the Carter years, the FTC continued its inquiries into co-op behavior, "unfairly" picking on Sunkist and such other giant co-operatives as Ocean Spray, the cranberry monopoly, and Dairymen's Inc., a key member of the dairy lobby.

But Sunkist was one of the most disturbed. An agricultural co-op of Western citrus growers that has annual sales of over a half billion dollars, it is a member of the Fortune 500 and controls 75 percent of the production of lemons and oranges in the western United States. In June 1977 the FTC issued a complaint alleging that Sunkist had achieved and maintained a monopoly in the western citrus fruit industry.

Among other things, the FTC charged Sunkist with (1) maintaining illegal "exclusive dealing" contracts with some 51 commercial citrus packing houses under which they were not permitted to pack fruit for non-Sunkist members or otherwise do business with competitors of Sunkist; (2) withholding large supplies of lemon products from the market in order to keep prices artificially high; and (3) refusing to sell its products to competing processors and marketers. All of this was naturally accomplished by Sunkist with the active approval and connivance of the USDA.

In its answer to the FTC's complaint, Sunkist claimed that the FTC didn't have jurisdiction and that only the secretary of Agriculture can hear antitrust claims against a co-op. The argument was unsupportable. Apart from the fact that the law is clearly to the contrary, no secretary of Agriculture in this century has ever had an antitrust lawyer working for

Photograph by Mehosh Dziadzio

him let alone utilized his limited statutory authority to restrict monopolization of co-ops and other antitrust violations.

The full commission rejected the argument in June 1978. Sunkist sought an injunction against the FTC in federal court in California and lost there in January 1979.

Unable to prevail in litigation, Sunkist turned to legislation. Now, its skillful lobbyists were let loose, led by its vice-president for governmental affairs, William Quarles. Sunkist's strongest allies were congressmen from California's central valley, like Tony Coelho (D-Calif.) and Charles Pashayan (R-Calif.). Their common purpose was clear and straightforward: get the FTC off the co-ops' backs, and kill its antitrust action against Sunkist. But they needed a broader coalition and a broader vehicle if they were to stand a chance of success. Fortunately for Sunkist, the legislative vehicle had already been prepared, and all it had to do was hop on board.

"REFORMING" THE FTC

By the late 1970s, the FTC's seemingly indiscriminate attacks on big and small business alike had for once forged a common bond among these two frequently divergent interests. They both wanted relief. Given the tenor of the times, the obvious political solution was deregulation—repeal of Magnuson-Moss and a compromise return to the time-consuming, albeit more steady and less offensive, method of case-by-case adjudication.

The relief that business wanted, however, was not quite like that. Why not seize the opportunity to ensure the best of both worlds: the comfort and security of regulation in place of the uncertainties of the free market *plus* the chance to lobby Congress for repeal of particular FTC regulations that weren't to their liking? Prime targets were regulations that would aid consumers by undoing government protection of businesses—for example, lifting state bans on advertising of certain products and services, bans that have been shown in study after study to account for higher consumer prices.

The US Chamber of Commerce and the National Association of Manufacturers combined with many small business interests to support such a "legislative veto," whereby Congress could override FTC rule-making. The House of Representatives had long been receptive. Since 1976 it had been routinely attaching to FTC funding-and-authorization legislation a provision for a one-house legislative veto of any offending FTC regulations. This, of course, was the institutional equivalent of hanging a large "votes for sale" sign on the front door of the House. In late 1979 it included a similar provision in its version of FTC reform legislation, the "FTC Improvements Act." The Senate had regularly rejected, by large margins, a similar demeaning of its chamber. In February 1980, in its version of the Improvements Act, the Senate again rejected the one-chamber veto—but by a much narrower margin of 53-44. The House saw its chance and decided to make an all-out push. Proponents in the House threatened to cut off the FTC's funds unless the House-Senate conference committee included a legislative veto in the final bill.

They were counting on the House voting for anything that would restrict the FTC, even if it would further enhance the government-granted monopoly position of agricultural co-ops.

The Senate did not give in without a struggle. A compromise was finally reached in April 1980 on a somewhat more complicated, two-house, legislative veto. Before it was reached, the FTC actually had to close its doors for 24 hours because of a lack of funding, and Jimmy Carter had to intervene personally and meet with the conferees at the White House to help effect the compromise.

BEHIND ANDREWS, ORANGES

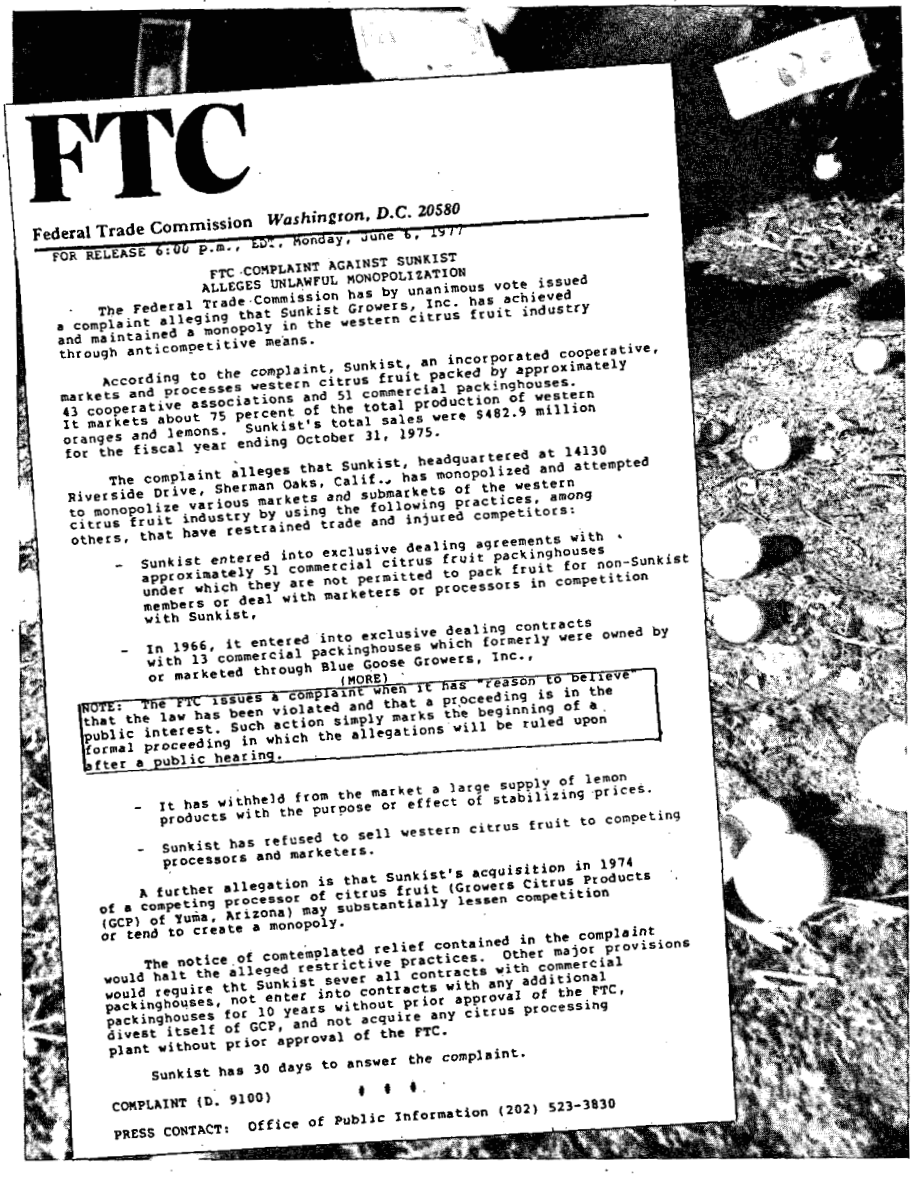
Sunkist did not care about a legislative veto over the FTC. It had its own priorities to protect, the chief one being to get the FTC out of agriculture in general and USDA marketing orders in particular. But the FTC Improvements Act with its legislative veto was an ideal vehicle. Late in 1979 Sunkist and its fellow co-operatives in the dairy lobby succeeded in rushing through, without hearings, a last-minute amendment to the House version of the bill that completely exempted agricultural co-operatives and USDA marketing orders from FTC scrutiny.

The legislation was introduced in the House by Rep. Mark Andrews (R-N.D.), now the junior senator from North Dakota. Known as the Andrews Amendment, it provided that the FTC could not spend any funds to study, investigate, or prosecute any agricultural co-operative or to study or investigate any agricultural marketing orders. Specifically:

- The FTC could not conduct economic analyses to determine the consumer price effects of USDA marketing orders—the control mechanism of government-sanctioned and organized cartels that govern the supplies and prices of citrus fruits, nuts, cranberries, milk, and other politically favored commodities.
- The FTC could not respond to congressional inquiries and requests for comments on legislation concerning co-ops, marketing orders, or competition in agricultural industries.

Also included in the amendment, but not ultimately passed by both houses, were provisions forcing the FTC to call a halt to enforcement of existing antitrust judgments against co-ops; to abandon its major antitrust suit against Sunkist for illegally monopolizing the western citrus fruit industry; and to drop major antitrust investigations of Dairymen's, Inc., the nation's second-largest dairy co-op, and Ocean Spray, the northeastern co-op that monopolizes the cranberry industry.

Supporters of the Andrews Amendment attempted to pass it off as "deregulation," capitalizing on the FTC's unpopularity at the moment on Capitol Hill. The truth is far different. The purpose of the Andrews Amendment was *not* deregulation—getting the government off the backs of businesses so that they can compete in the marketplace, vying for consumers' dollars by outdoing one another in prices and quality. Rather, the blatant purpose of the amendment was to get the FTC off the backs of co-operatives like Sunkist, so that they could continue



FTC

Federal Trade Commission *Washington, D.C. 20580*

FOR RELEASE 6:00 p.m., EDT, Monday, June 6, 1977

FTC COMPLAINT AGAINST SUNKIST
ALLEGES UNLAWFUL MONOPOLIZATION

The Federal Trade Commission has by unanimous vote issued a complaint alleging that Sunkist Growers, Inc. has achieved and maintained a monopoly in the western citrus fruit industry through anticompetitive means.

According to the complaint, Sunkist, an incorporated cooperative, markets and processes western citrus fruit packed by approximately 43 cooperative associations and 51 commercial packinghouses. It markets about 75 percent of the total production of western oranges and lemons. Sunkist's total sales were $482.9 million for the fiscal year ending October 31, 1975.

The complaint alleges that Sunkist, headquartered at 14130 Riverside Drive, Sherman Oaks, Calif., has monopolized and attempted to monopolize various markets and submarkets of the western citrus fruit industry by using the following practices, among others, that have restrained trade and injured competitors:

- Sunkist entered into exclusive dealing agreements with approximately 51 commercial citrus fruit packinghouses under which they are not permitted to pack fruit for non-Sunkist members or deal with marketers or processors in competition with Sunkist.

- In 1966, it entered into exclusive dealing contracts with 13 commercial packinghouses which formerly were owned by or marketed through Blue Goose Growers, Inc.,

(MORE)

NOTE: The FTC issues a complaint when it has "reason to believe" that the law has been violated and that a proceeding is in the public interest. Such action simply marks the beginning of a formal proceeding in which the allegations will be ruled upon after a public hearing.

- It has withheld from the market a large supply of lemon products with the purpose or effect of stabilizing prices.

- Sunkist has refused to sell western citrus fruit to competing processors and marketers.

A further allegation is that Sunkist's acquisition in 1974 of a competing processor of citrus fruit (Growers Citrus Products (GCP) of Yuma, Arizona) may substantially lessen competition or tend to create a monopoly.

The notice of comtemplated relief contained in the complaint would halt the alleged restrictive practices. Other major provisions would require tht Sunkist sever all contracts with commercial packinghouses, not enter into contracts with any additional packinghouses for 10 years without prior approval of the FTC, divest itself of GCP, and not acquire any citrus processing plant without prior approval of the FTC.

Sunkist has 30 days to answer the complaint.

# # #

COMPLAINT (D. 9100)

PRESS CONTACT: Office of Public Information (202) 523-3830

to enjoy the insulation from competition provided by USDA marketing orders. It was to keep the FTC from publicizing the anticonsumer, inflationary nature of these cartels. And it was to kill the antitrust lawsuits and investigations of the monopoly positions that the co-ops had been able to create under the protective wing of another government agency, namely, the Department of Agriculture.

Mark Andrews was the front man for Sunkist. He was undoubtedly recruited to introduce the legislation because, as Andrews himself defensively observed in the House debate on his Amendment, "Coming from North Dakota, nobody can accuse me of being the Congressman from Sunkist, because somehow or another, 40 below zero does not produce oranges."

No hearings were ever held on his amendment. Andrews never once met to discuss its language or meaning with the consumer protection subcommittee of the Interstate Commerce Committee, even though it was that committee that had jurisdiction over the FTC Improvements Act.

Instead, Andrews took his amendment directly to the Rules Committee of the House, where he successfully sought permission for it to be offered on the floor when the House considered the FTC Improvements Act. To no avail, some of the members of the Rules Committee questioned the propriety and unusual precedent of allowing an amendment to be offered on the floor pursuant to what was essentially a closed rule, particularly when there had been no hearings on it.

Andrews's presentation to the Rules Committee seemed to many to have been drafted by Sunkist, there being a remarkable similarity between his prepared statement and a November 1979 letter sent by Sunkist lobbyist Quarles to Rep. Mo Udall (D-Ariz.) and others in support of the amendment. Additional evidence of Andrews's role as a Sunkist front man arose at a luncheon in November 1979 between Andrews, Representative Pashayan and another congressman, James Scheuer (D-N.Y.), an opponent of the amendment; and representatives from the FTC and the general counsel's office of USDA. Interviews with an FTC lawyer who was present at the meeting reveal that it was arranged by Scheuer to clear the air and explore possible compromises between the supporters and opponents of the Andrews amendment.

The luncheon accomplished nothing, however, other than to confirm that Andrews and Pashayan knew little about antitrust law and even less of the legislative history of the 1920s legislation known as the Capper-Volstead Act. Both insisted that Capper-Volstead had "removed" the FTC from any jurisdiction over agricultural co-operatives—a legal position better known for its frequent appearance in Sunkist's legal briefs than for its citation in any reported court decisions.

Sunkist and Andrews were not interested in a compromise. Apparently, he and his co-op patrons were counting on the House, in its justified fury over the FTC's indiscriminate use of its rule-making authority, voting for anything that would restrict the FTC, even if its purpose was to further enhance the government-granted monopoly position of agricultural co-operatives like Sunkist. Their gamble paid off. The House approved the Andrews Amendment by a vote of 245 to 139.

ORANGE POWER PREVAILS

On the other side of Capitol Hill, several senators, including Alan Cranston (D-Calif.), considered introducing a similar amendment to the Senate version of the FTC Improvements Act. They were persuaded not to do so by the Senate leadership in order to avoid putting individual senators in the politically compromising position of having to vote to kill a major antitrust case. By that time, though, Sunkist and Andrews no longer cared about the antitrust case. With its funds cut off, the FTC was desperate. Harassing businesses on a case-by-case basis was beginning to look positively rosy compared to tangling

with a huge government-protected entity like Sunkist. So the FTC capitulated, agreeing not to have its Senate allies oppose that portion of the Andrews Amendment that prohibited the FTC from ever again studying or investigating USDA agricultural marketing orders.

Andrews, flush with success, was off to run for the US Senate. He promptly sent a newsletter to the homefolk claiming a great victory: "The FTC...removed their objection to many of the amendments restricting their actions, mine included....Hopefully...the FTC will have learned a lesson." Many believe it has. Just ask Sunkist, whose big, round, overpriced orange face is still sporting a wide smile.

Sunkist got most of what it wanted from Congress when its USDA marketing orders were made safe from FTC scrutiny. It got almost all the rest from the FTC itself when, in August 1980, the FTC quietly and without fanfare withdrew the Sunkist antitrust case from litigation, ostensibly to facilitate settlement discussions, in reality to arrange an honorable surrender by the FTC, a surrender finalized in February 1981. And the tons of rotting oranges dumped later in the spring were icing on the cake.

Meanwhile, the FTC has returned to its roots, harassing small businesses and ignoring those favored by the government like Sunkist and other large agricultural co-ops. But poor Sunkist and its confreres may be facing another battle: agricultural marketing orders have been placed on the Reagan administration's "hit list" of government regulations to be scrutinized for possible elimination. Consumers, for their part, must be worried that this attempt, like the FTC's, will be reduced to pulp by Sunkist. ◻

Michael McMenamin is a Cleveland attorney and coauthor of Milking the Public: Political Scandals of the Dairy Lobby from LBJ to Jimmy Carter. *Diane Connelly does freelance research and reporting for* Business Week *and* Reader's Digest.

Housing

(Continued from p. 40.)

As Bernard Siegan has demonstrated in his remarkable book, *Land Use without Zoning,* Houston's lack of land-use controls is actually a more efficient system in protecting neighborhoods than the scandal-ridden, bribery-prone, zoning boards found elsewhere. If given the chance, the private market really is capable of allocating a scarce commodity like land.

And the results are simply remarkable. With a booming population (not unrelated to the favorable regulatory climate), demand for housing has soared in Houston. Unlike California, the consequence of soaring demand has been soaring supply—not soaring price. Small price increases have stimulated tremendous new investment in affordable housing.

We must not allow the phrases "high cost of building" and "high cost of financing" to become the brisk brush-off whereby shapers and makers of public policy avoid analytical scrutiny of land-use policy. The human cost of dreams interrupted by the cruel threat of exploding home prices does not afford us the luxury of ignorance. We must seek to understand the political persuasiveness of elitist legislation and, concomitantly, to address the far deeper question of how legitimate environmental concerns may be met at a cost shouldered equitably.

Stirring platitudes and oodles of "concern" have created, by intent or gaffe, a monster. This monster has taken an entire generation of young men and women hostage in their very homes—or, we should say, in their apartments. Unless enlightened research leads the way to progressive legislation to unlock the gates of that American dreamland of initiative, enterprise, and entrepreneurship, the very best we will be able to say is that we perpetrated a social injustice with nothing but the "nicest" of intentions.

Let the record show that we understand the nature of the problem: High-income communities have used zoning and other growth-control measures to restrict the supply of housing. As a consequence, house prices have soared, and middle- and lower-income families have been excluded.

Wouldn't it be an act of courage if elected officials in California and across the United States would take the following steps: (1) Declare a two-year moratorium on growth control measures and other policies, such as rent control and "inclusionary zoning," now directed—with the best of intentions, of course—at undoing the exclusionary consequences of the former measures; and (2) Revise the law so that the courts engage in judicial review of such policies, with a particular eye toward the effects they have on reducing the supply of housing for middle- and low-income families.

There is little that can be done on the demand side that will not merely rearrange the existing stock of housing. The solution must come through supply. Americans want more less-expensive housing units. The solution is to *decontrol* the supply side. ◻

M. Bruce Johnson is a professor of economics at the University of California, Santa Barbara, and president of the Western Economic Association. A member of the Board of Trustees of the Reason Foundation and research director of the Pacific Institute for Public Policy Research, he is the editor of the Pacific Institute's recently released book Resolving the Housing Crisis. *This article is adapted from a speech delivered at a California Chamber of Commerce Housing Crisis Conference.*

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COMING ATTRACTIONS

Annual Special: Books that are worth remembering, books that deserve reviling—covered in our annual book issue. Special treat this year: Nobel economist F. A. Hayek writing on rising star Thomas Sowell.

Creative Science: "Scientific creationists" have school boards and science teachers on the defensive about teaching evolution in the classroom. Who are these people? What do they really want? Does their cause have scientific merit?

Regulation Retread: What? The Reagan "free marketeers" *reversing* the Carter boys' deregulation? That's what it looks like, and nowhere more so than in trucking.

Is Cable Able? Competition among cable-TV companies is impossible, they say. Isn't it just like telephone and electricity and every other public utility? But now in cable, too, these traditional ideas are being challenged.

Business

(Continued from p. 44.)

"If I owned a silk scarf," he said, "I could put it around my neck and take it away with me. If I owned a flower, I could pluck that flower and take it away with me. But you cannot pluck the stars from heaven. . . ."

"No. But I can put them in the bank."

"Whatever does that mean?"

"That means that I write the number of my stars on a little paper. And then I put this paper in a drawer and lock it with a key."

. . .

"It is entertaining," thought the little prince. "It is rather poetic. But is of no great consequence."

"I myself own a flower," he continued in his conversation with the businessman, "which I water every day. I own three volcanoes, which I clean out every week. . . . It is of some use to my volcanoes, and it is of some use to my flower, that I own them. But you are of no use to the stars. . . ."

The businessman opened his mouth, but he found nothing to say in answer. And the little prince went away.

So long as the artist's understanding of economic motivation and behavior and consequence goes no farther than this, we are unlikely to see any more profound exploration of these aspects of human life in our literature.

ART ECONOMICS

But ignorance is only one difficulty. Practically speaking, the artist in a commercial society is in a difficult situation. To support himself or herself through years of artistic development, to do so in a way that leaves enough time, energy, and psychological wholeness to create, to find an audience, nay, a buyer, are difficult tasks and often ones for which the artist is ill-equipped.

In many respects our society has not yet developed institutions and organizations for the economic support of artistic endeavor. I once heard a very wise musician explain that in his profession only half of his time is spent playing his music and the other half is spent creating opportunities for himself to perform, and that this is the nature of being an artist today. But this is not a fact that most artists understand or accept with equanimity.

Furthermore, an artist is often faced with the dilemma of maintaining the integrity of his or her art while getting work, and the issues are not simple. The people who hold the pursestrings do hold the power, and writers, for instance, are constantly at odds with publishers and producers. Not that this is fundamentally different from the moral and practical conflicts anyone must face in a working life; but it is not a pleasant fact of human existence, and it is one that artists feel, and complain about, acutely.

Many artists long for the days of a few wealthy patrons, and many support the reinstitution of an equivalent system through government. They do not consider, however, that artists supported by patrons are restricted by the necessity not to offend their supporters—that the power that goes with money is a fact of existence and not of a capitalist system. Nor do they consider that in an economically free and growing society, artists have many more choices and options in the selling of their work than a patronage system could possibly offer. A society of free trade is full of difficulties, but on balance it appears to be the best alternative.

Though artists face the same advantages and disadvantages of any trader in a commercial society, there is one aspect of that society that artists tend to find particularly galling. We are haunted by the fact that value, economically, is determined by the market—that there is no inherent order of values that ordains that the expending of certain effort, or even the production of a great work of art, will be commensurately rewarded by appreciation or financial success. Since artists tend to regard their work as an inherently valuable pursuit, and their products as of more inherent value than, say, toasters, it seems unjust that an artist should starve while a toaster king munches caviar. The issue of how value is determined in economic interactions and the conflicts inherent in a society in which people are free to be governed by radically different systems of values creates considerable pain and confusion.

There is also the fact that the antipathy between the artist and commercial society runs both ways. The artist generally regards the business figure as uncreative and devoid of spiritual or aesthetic values. And very often, the businessperson similarly regards the artist as a self-indulgent dilettante, unproductive of anything practical or useful. The source of this view is in part in the Scottish Common Sense philosophy that was associated, particularly in this country, with the rise of capitalism. The "ideal realm" so treasured by the artist as superior to material pursuits has long been scorned by practical people devoted to material pursuits, to which they attribute the superiority of being real.

Finally, it is generally unrecognized by the artist that, despite the demonstrable value of art in human life, in fact art is a marginal endeavor. The pursuit of art is only possible when there is already food on the table. The existence of a market for art depends on the creation of wealth above and beyond what is needed for a modest existence. It would seem to follow that artists would appreciate the economic motivations of moneymakers. But the connection between an economically flourishing society and the enhanced support of artistic endeavor is little understood.

All of this makes understandable the dominant artistic antipathy to economic motivation. Yet the results are lamentable. While economic activity is central to human life, art fails to plumb the depths of that activity. People, through art, see how moneymaking can be done wrongly, but they are not led to explore the qualities of character required of the good businessperson. In an important area, art leaves us without a picture of what life should be like, what human beings can be.

What is required is that all of our culture, including our artists, learn the facts of economic life and the principles that govern human economic behavior. Art, after all, is a material activity. And in the days when writers require not only paper and ink, not even only correcting typewriters but also word processing computers—when they live through billion-dollar publishing and entertainment industries and themselves support an army of agents at 10 percent—they need to take a deeper look at the economic system in which they exist and at the dramatic possibilities for art in a society in which economic achievement has made so many other achievements possible. ◻

Cheri Adrian is a lapsed literary scholar who has fled academe for the greater glamor of Hollywood, where she makes her living as a screenwriter. This article is adapted from her presentation at a recent conference on economics and values cosponsored by the Reason Foundation.

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Fowler

(Continued from p. 35.)

competition in common carrier, and I think the policies of this commission since 1970 have been to promote competition with AT&T. We're going to attempt to move that forward even more.

REASON: Is AT&T a monopoly because the government made it one or simply because it's so efficient that it pushes everybody out?

FOWLER: I don't know how to characterize AT&T. As to how efficient it is, I'm not sure anyone knows. It is a mammoth entity. As a general proposition, though, no entity ought to be immune from competition. We have networks competing with AT&T springing up all the time. MCI has built its own independent microwave network. Satellite Business Systems is creating an alternative network of transmission lines. There are others who plan to get involved. As alternatives are created, it seems to me there is greater consumer choice and in the final analysis better service at lower cost.

REASON: Cable, like the phone system, has been assumed to be a "natural monopoly" by local governments, which generally grant only one company a franchise for their area. Do we need monopoly franchises, or can different cable companies compete in the same area?

FOWLER: I think that's for the municipality or state to decide. I don't see any reason for a national policy as to whether you have one entity or several competing to provide cable service in a geographic area.

REASON: An increasing amount of social criticism centers on the electronic media. Television, in particular, is often made the whipping boy for all sorts of social problems. While its critics often go overboard, it's true that television has tremendous power in our society...

FOWLER: I think that premise may not be valid anymore. Let's take television. It's no longer just television—it's a *video* market now. There's not just over-the-air television. There are also the following forms of video transmission: multipoint distribution service, which is a way of transmitting television to apartments; pay cable; conventional cable; possibly direct broadcast satellite service; possibly low-power television; video cassettes; video discs. So it's the video market; it's not just television. And then there are other forms of communication—books, films, newspapers, magazines. Why is it that we now single out one form—over-the air television—and imbue it with specific social duties when we don't do the same for film, for example? Why is there this national obsession to tamper with this box of transistors and tubes when we don't do the same for *Time* magazine? Why don't we have a "fairness doctrine" for *Time* or the *Washington Post,* when we have one *Washington Post* in the city and seven television stations? I once said that television is just another appliance—it's a toaster with pictures. Obviously, I was engaging in hyperbole, but the point is, we've got to look beyond the conventional wisdom that we must somehow regulate *this box,* we must single it out. We should get the government out of the way, particularly when we have these sensitive First Amendment areas involved.

REASON: Thank you, Mr. Fowler.

Envy

viewpoint

Tom Bethell

"Politicians, academics and media men have in recent decades done much to articulate, institutionalize and organize envy and resentment against economically effective people. Envy and resentment may be as old as mankind, but especially in the West and in the westernized Third World countries these sentiments seem nowadays more insistent, persistent and extensive than they formerly were. Politicians and intellectuals have supplied articulation and a veneer of intellectual respectability to envy and resentment."

On reading those words, from P. T. Bauer's admirable new book, *Equality, The Third World and Economic Delusion* (Harvard University Press), one is immediately struck by the thought that it is unusual nowadays so much as to see the word *envy* in print. At a party in Washington recently, needless to say well-attended by liberals, I mentioned that the contemporary liberal intellectual spends most of his time trafficking in envy—either experiencing it or arousing it or appeasing it. The jeers and catcalls that greeted this statement were enough to convince me that I had struck a hidden nerve.

The world has been told, repeatedly and often, that capitalism is bad because it is based on *greed*; it panders to the baser instincts, such as self-interest; did not Adam Smith admit as much? I don't agree with this line of argument, despite its frequent repetition. There's something spiteful about accusing a man of greed for slogging off to work every day to toil away on behalf of some corporation—no matter how much he is paid.

But my aim here isn't to defend capitalism. I propose instead that the supporters of capitalism should move onto the offensive and begin to take a long, hard look at the motives and modus operandi of some of its enemies. What sentiments animate *them,* exactly? Maybe not greed; but maybe something even less appealing.

Take, for example, Howard Metzenbaum and Edward Kennedy, two millionaire senators who now both display a marked aversion to the voluntary operations of the private sector and a decided preference for the coercive operations of the State. As government officials, they stand to gain power as a result of the political changes they support (for example, transferring oil wealth to the federal coffers). They have attempted to implement this shift in power in their direction by arousing envy in their fellow citizens and then trying to make political capital out of this envy. To date, left-wing politicians have been allowed to get away with dressing up their appeals to envy in the garb of "compassion." Let us unmask the deception.

Likewise, many columnists and editorial writers in recent months attempted to undermine President Reagan's program of tax-rate reductions by arguing that it would "take from the poor and give to the rich." A tireless exponent of this thesis has been Carl Rowan, the prosperous columnist and television performer. Similar rhetoric has been adopted by writers for the *New Republic* and the *Washington Post* and by numerous other columnists.

Now, it is clearly not true that an across-the-board reduction in marginal tax rates "takes" or "gives" anything. This would only be the case if all wealth belonged to the government, who then distributed it according to a prescribed pattern. A shift in such a pattern could then be described as "taking" from one group and "giving" to another. But this is not the way our system works—although notice that it is an accurate description of the way in which many left-wingers and liberals would *like* it to work. A reduction in tax rates merely imposes less daunting penalties on the earners of incremental dollars; it does not *take* from anyone at all.

People like Carl Rowan are perfectly intelligent enough to have understood this all along, of course, but then I doubt if their goal ever was to describe the tax laws. I suspect they were more interested in whipping up envy and resentment among lower-income groups, with a view to generating political opposition to the tax-rate reductions.

Such tactics have frequently been tried in America before. It is to the credit of this country that appeals to envy have generally been unsuccessful, and once again they were unsuccessful when Reagan's tax bill passed. The last politician who found out that envy doesn't pay politically was George McGovern in 1972, who reportedly was amazed to discover how many Americans *aspire* to become rich and so opposed one of his "transfer the wealth" schemes.

That, I think, is one of the main differences between Europe and America. In America, rank, class, and income bracket are as fluid as capitalism itself. But in some European countries the disincentives to upward mobility and incremental earnings are so great that those on top are protected from competitors while those on the bottom "know their place." For this reason, political attempts to arouse envy have been far more successful in Europe.

There is no excuse whatever for attempting to arouse it here, where there are still plenty of opportunities to do well by working hard. Let us not forget that in Europe a concerted effort was made in the 1930s to arouse in the majority a resentment and hatred of a certain minority—the Jews. The effort was successful.

I am not suggesting, however, that rich Americans need to be protected from the envy-peddlers. The rich can look after themselves. What needs to be protected is our *laws,* which are always in danger of being changed and to some extent have already been changed in such a way as to make it difficult to *become* rich.

Tom Bethell holds the DeWitt Wallace Chair in Communications at the American Enterprise Institute. He is a Washington editor of Harper's *and* American Spectator. *This is his inaugural Viewpoint column.*

health & welfare

How to Stay Well: Using Nutrients

By Sandy Shaw and Durk Pearson

Recent research has uncovered a great deal about how the various elements of our immune system—white blood cells, the thymus gland, the spleen, bone marrow, lymph glands, and a variety of large molecules—work to keep us well (see last month's column). More and more is being learned also about how to help the immune system do a better job. We can do quite a bit with some simple nutrients, available without a prescription, which have been shown in animal experiments to improve immune system surveillance.

Vitamin A. A can prevent injury-caused decreases in thymus weight and in the number of thymic lymphocytes (a thymus-derived type of white blood cell). It can increase the size of the thymus, even doubling it. 15,000 IU per day is a reasonable adult dose of vitamin A.

Vitamin C. C increases the activity of certain white blood cells that patrol the body looking for bacteria, viruses, cancer cells, and atherosclerotic plaque cells. It also increases the quantity of interferon made in lymphocytes and fibroblasts (connective tissue cells). Vitamin C is lost rapidly via the urine, so it should be taken four times daily. (A convenient schedule is to take it after breakfast, lunch, and dinner and then at bedtime.) Three to ten grams a day is a reasonable dose for a healthy adult. Start at a low dose and work up to higher doses gradually.

Vitamin E. In several species of animals (chicken, sheep, turkey, and rat), vitamin E supplementation at a level of 200 to 2,000 IU of E per kilogram of food resulted in improved immune system responses—10 times greater for B-cells and 3-5 times greater for T-cells. 200 to 2,000 IU of vitamin E is a reasonable daily dose for healthy adults.

Arginine and ornithine, nutrient amino acids. In mice innoculated with MSV (Moloney Sarcoma Virus, a potent cancer-causing agent), arginine and ornithine were able to block formation of tumors. Arginine and ornithine increased the thymus weight in both the MSV- and nonMSV-injected mice. These two amino acids cause the brain's pituitary gland to release growth hormone, important in the maintenance of the immune system. Three to ten grams of arginine (or half as much ornithine) at bedtime is a reasonable adult daily dose.

L-cysteine, a sulfur-containing amino acid. Cysteine is an immune system stimulant. It is not as powerful as the chemically related mercaptoethanol, which has been able to restore the immune system function of aged mice (the equivalent of 80 years old for a human) to that of young adult mice; however, there are no long-term use data for mercaptoethanol, and, consequently, more research is needed before people use it on a regular basis.

Cysteine is a nutrient and is generally safe to use. It is important, however, to take a few times as much vitamin C as cysteine, because the oxidized form of cysteine (cystine) can form kidney or urinary bladder stones. With adequate vitamin C around, the cysteine will be kept in its reduced (very soluble) form and not be converted to cystine (poorly soluble). One or two grams per day of cysteine taken with three to six grams or more of vitamin C in divided doses are reasonable daily doses for a healthy adult.

Zinc, a mineral (taken in chelated form). Zinc deficiency can cause severe shrinkage of the thymus gland; this can be reversed with zinc. A reasonable daily dose for adults is 50 milligrams of chelated zinc. Zinc is required to mobilize vitamin A from storage sites in the liver.

Selenium, a mineral. Selenium is an important antioxidant in the body. It is estimated by researchers studying selenium that, if people were to take 250 micrograms per day, the incidence of cancer and cardiovascular disease could be cut by 70 percent and the incidence of cataracts reduced by 80 percent. Selen-

H&W Question

Q: Is there any way to increase the length or thickness of my hair?

A: In order to increase the output of hair by hair follicles, you can do several things. One is to increase the supply of amino acids used in the construction of hair. The amino acid *cysteine* is a particularly limiting factor because it is in relatively short supply even in a person eating a good diet. Hair contains eight percent cysteine, from which it derives much of its structural stability. Disulfide bonds (chemical bonds between sulfur atoms in the cysteine molecules) supply shape and strength to hair.

The best dietary source is eggs; one egg contains about ¼ gram of cysteine. We use cysteine crystals purchased from a Japanese manufacturer of amino acids. When you take cysteine supplements, remember to take also at least a few times as much vitamin C (see above).

Another thing you can do to promote longer, thicker hair is to prevent free radical damage to hair follicles. Free radicals are highly chemically reactive molecules (or atoms) with unpaired electrons. These are formed during normal metabolism and as a result of various pathological processes, including as a by-product of nonenzymatic fat autoxidation (self-catalyzed oxidation). The scalp contains a considerable quantity of fatty materials that may become oxidized with exposure to oxygen in the air.

Dandruff is an example of a condition resulting from free radical damage. The organic peroxides formed as a result of the oxidation of the scalp's lipids (fats and oils) are irritants. The skin cells in contact with these irritant organic peroxides are stimulated into excess cell division, resulting in the proliferation of excess skin cells, which fall off as dandruff when pushed out by other skin cells growing underneath. Free radicals can also "turn off" or destroy hair follicles or their pigment-producing melanocytes. Free radicals are mutagens (mutation-causing) and carcinogens (cancer-causing).

Use of shampoos containing antioxidants (substances that block uncontrolled oxidation reactions) such as zinc (zinc pyrithione, Head and Shoulders® shampoo) or selenium compounds (selenium sulfide, Selsun Blue® shampoo) provide some protection against free radical damage to hair follicles and may result in a thicker, more luxuriant hair growth. Use of oral supplements of sodium selenite (250 micrograms per day) and chelated zinc (50 milligrams per day) often provides dramatic relief from dandruff, itchy scalp, and rancid hair odors.

In our book, *Life Extension: A Practical Scientific Approach,* to be published soon by Warner Books, we discuss in detail what we know about the causes of balding, what techniques can stop its progress, and some methods that may even reverse it in some people.

—D. P.

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ium is an essential part of the antioxidant enzyme glutathione peroxidase, which is important in preventing damage to the immune system and other systems by organic peroxides, like those formed by the abnormal, nonenzymatically controlled oxidation (via a free radical route) of body fats and oils. In a number of experiments, selenium has demonstrated powerful anticarcinogen (inhibiting development of cancer) and antimutagen (preventing damage to DNA) properties. The most effective, safest, and least-expensive form is sodium selenite.

With these nutrients, our body's natural defenses can be stimulated to do a better job at keeping us well.

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A list of scientific literature on this topic is available. Send a stamped, self-addressed envelope to this publication, referring to the date of this issue. Sandy Shaw and Durk Pearson are consulting scientists, authors, and TV personalities.

taxes

What to Do about Your Taxes Now

By Timothy Condon

Most people think the most important time of the year, as far as income tax is concerned, is March or April, when they fill out their tax forms. They're wrong. Right *now* is the most important time, because the last few months of each year are when you should be huddling with your tax advisor, taking action to *reduce* your upcoming tax bill.

Why is that? Because all we do when form-filling time comes around is put down what's already transpired the year before. Thus, you've got to take action *now,* in 1981, to assure yourself the lowest possible tax bill in April.

All of which takes on even more importance this year because of the much-ballyhooed Economic Recovery Tax Act of 1981. Not that it's not a wonderful victory for somewhat less government—and a terrific defeat for government-lovers of all stripes. But almost all the excellent new tax breaks and incentives in the new law will take effect *after December 31, 1981,* which means we won't see much of a change when we file our tax forms in early 1982.

So, here are some of the points you'll need to consider with your tax specialist:

- If you have deductible expenses that can either be paid in 1981 or deferred until 1982, you'll need to take a hard look at your current year's income versus projected income next year. With all other things remaining equal, such expenses should be paid and hence deducted this year, since your taxes will generally be higher this year than next. On the other hand, if your income will be substantially higher next year, you may want to put off paying those deductible obligations so you can take the tax savings in 1982, even in the face of the 10 percent tax reduction going into effect on January 1, 1982.
- If you're angling for a tax break on the selling of your home, go ahead and take it now. The once-in-a-lifetime $100,000 exemption on home-sale profits has gone up to $125,000 as of July 20, 1981 (you still have to be at least age 55 and have lived in the house for three of the five years before the sale). Similarly, if you intend to avoid any taxes on the profits from sale of your home by investing in another house of equal or more value, you now have two full years to find and buy and move into that new house (versus only 18 months previously). This break also went into effect on July 20.
- If you've been thinking of having a divorce in late 1981 so you can file as single taxpayers—only to get remarried in 1982—go ahead and do it. (See my Jan. 1981 column, "Living and Loving under the IRS.") The correction of the "marriage penalty tax" for people who file joint returns doesn't go into effect until 1982. And, typically, it will *mitigate* the antimarriage feature of the tax laws but not *correct* it. Up to now, the only divorce/remarriage case heard by the US Tax Court dealt with *foreign* divorces (Haiti and the Dominican Republic, to be exact), which means Nevada or Florida might be nice places to spend this Christmas with your "ex-spouse."
- You must take action to have your will changed soon if you care where and to whom your wealth will be transferred in the event of your death. The federal estate and gift taxes will be undergoing wonderful changes over the next few years, with the result that many current wills and estate plans will come unglued. The good news is that you'll be able to transfer much, *much* more of your wealth to those you care for—instead of to the government functionaries who would like to get it.
- If you're considering expanding your family through adoption, the new deduction for related fees and other expenses is in effect as of December 31, 1980. But it only applies to children "with special needs" (generally, kids disadvantaged in some way or another).
- There are many other features to the 1981 tax bill, and you'll doubtless want to discuss future strategy with your tax advisor. For instance, the following breaks go into effect *as of 1982:* increased child care credits; larger exclusions for income earned overseas; a liberalization of who will be able to open their own Individual Retirement Accounts (IRAs) and how much money can be put into them each year (ditto on Keogh plans for the self-employed); new, big tax exemptions for interest earned on certain types of savings certificates (designed to increase the pool of capital available for housing construction); an increase in the yearly gift tax exemption to $10,000 from the current paltry $3,000...and much more.

Further good news under the new tax laws is that fringe benefits—which the IRS has been trying to reach and tax for years now—cannot be touched before the beginning of 1984. And the value of "group legal services"—another nontaxable fringe benefit—which was supposed to be reviewed in 1982, will remain nontaxable until at *least* the beginning of 1985.

There are many more provisions in the new tax law, of varying complexity. Most benefit the taxpayer. On the other hand, the new and increased penalties for various tax no-nos rate a raspberry, at best. Ditto for the protection afforded the IRS from Freedom of Information Act requests for statistical data used by the tax collectors.

Yet, even *so*!—the well-named Economic Recovery Tax Act of 1981 is a first, excellent, albeit timid step in the direction of more freedom and productivity for Americans at all income levels. Stay tuned for more fireworks, as Social Security and more budget cuts enter the picture for consideration.

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spotlight

Gold Message Courier

By Patrick Cox

In less than 10 years, the Committee for Monetary Research and Education has become one of the strongest voices in the increasingly insistent calls for a stable currency. The organization was formed by a number of gold advocates at the beginning of the '70s. In 1972 Elizabeth Currier, now the executive vice-president of CMRE, was hired to help with the administration of its activities, which were not extensive at the time. Coming into an organization that had more debts than assets and little public exposure, Currier built it into what is today acknowledged as one of the most influential free-market groups in the country.

Long-time free-market economist Henry Hazlitt, when approached concerning Elizabeth Currier, said, "I'm glad you're doing something on her, because I think she hasn't gotten the notice she deserves for what she's been doing." And what she's been doing, affirms Hazlitt, is "running CMRE pretty much as a one-woman operation. I don't want to detract from Don Kemmerer, the president [now emeritus], but she's actually been the working life of the committee."

The committee's aim is to promote a better understanding of the monetary system, and in particular of a sound monetary system. To this end, it produces and disseminates publications and organizes seminars and conferences at universities across the country, in Washington and New York, and in CMRE's home state, Connecticut.

Unlike nearly a decade ago when CMRE was getting off the ground, people no longer tend to look askance at the idea of somehow restoring the discipline of gold to our ailing money system. No less than three gold-standard bills await action in the Congress. (See "Going for Solid Gold" in the September REASON.)

Much of the groundwork for this shift of opinion can be traced to CMRE—and, through the committee, to Elizabeth Currier. Says Hazlitt: "She has made the committee the source of a terrific lot of the ideas on currency that are now having influence. She always bows out, saying, 'I'm no expert, even on knowing who the experts are,' but she's done a marvelous job. I don't know how she works her miracles, but she gets an awful lot of people to do things for the committee."

Elizabeth Currier

In fact, Currier is a "networker" par excellence. If she isn't tracking down a speaker for a White House luncheon, she may be on the trail of the Spanish economist who delivered a paper on the 18th-century English banking system to a group of economists in Madrid. Speakers at CMRE functions have included former Treasury Secretary William Simon, economists ranging from Arthur Laffer to Yale Brozen to Percy Greaves, authors such as Jude Wanniski and Jacques Rueff, and Sen. William Proxmire.

Currier is herself an articulate defender of the free market and speaker on the monetary system. "I love freedom," she says. "I like to express it myself and see the opportunity for other people." A native of Connecticut, she began thinking about philosophic and economic issues in the '60s during the grass-roots conservatism of the Goldwater era. She had previously gained a bachelor of arts in economics, studying under Keynesians, and now attacked the study of the free market with the vigor of a dedicated freshman.

During this time, she recalls, her main form of entertainment was frequenting "dusty old used book stores" searching for then-rare books on the free market and the philosophic foundations of the American Revolution. Currier is still an avid reader of materials that were read by the Founding Fathers. Her interests propelled her naturally into lecturing and into hosting an investment-oriented radio show in Greenwich, Connecticut, which she used as a platform for explaining the free market.

"I don't know too much about her background," admits the admiring Hazlitt. "She's always so modest that she never talks about herself." Truly, Currier was an extremely difficult person to interview for this column. Though friendly, articulate, and sensitive, she is not wont to talking about her own accomplishments.

Hazlitt did not even know that a book of his, *The Failure of the New Economics,* was indirectly responsible for Currier's job at CMRE. It seems that she was walking with the book under her arm when the late Felix Wormser, one of the founders of CMRE, saw her and, with barely an introduction, launched into a discussion on the gold standard. Later, after appearing several times as a guest on Currier's radio show, he suggested to the committee that they hire her.

CMRE's influence and prestige started on the upswing with her addition to the staff. She began with secretarial tasks but was soon doing much more, until today she serves as executive vice-president. Austen Colgate, the committee's treasurer, marvels at her frugality and financial abilities.

Successful in a field dominated by men, she has maintained a wonderful kind of New England grace. She is always dressed impeccably and is known for her ability "to whip together a quick gourmet luncheon" if the need arises. She is dedicated to her mother and her daughter. She collects antiques from the Napoleonic period and helps maintain the garden on her family estate.

Asked how it feels to be a woman in a male-dominated area, she answers, "Oh, I like it—I think it's great," and points out that the root of the word *economics* is Greek for home management. She certainly manages much more than her own home.

Elizabeth Currier says she's no woman's libber, because "I don't need laws to get where I'm going." But *liberation* and *freedom* come from the same root, and in her own words: "I love freedom! I guess it's just part of me."

Patrick Cox is a free-lance writer.

arts & letters

John Travolta in Blow Out *and Albert Finney in* Wolfen

movies

- **Blow Out**
- **Wolfen**
- **Nighthawks**

Reviewed by John Hospers

• Starting with *Carrie* and climaxing with *Dressed to Kill* in 1980, the films of writer-director Brian De Palma have always been resourceful and suspenseful, entirely lacking in social significance, and (as a rule) studiously amoral. His latest one, **BLOW OUT** (not to be confused with Antonioni's *Blow-up* a few years back), is at least as suspenseful as any of the preceding ones—a pleasing kind of suspense because it is methodical and logical: the facts of the case are set forth clearly as events develop, and the director in effect throws the gauntlet to the viewer: can you solve this one? No murky symbolism here, just a suspenseful plot that plays no tricks on you and never lets you down.

But that isn't all this film offers. Starting with the apparently accidental death of a presidential candidate, we are introduced to the wheels-within-wheels convolutions of events designed to suppress the facts, until a tale of detection of Watergate-style complexity is developed. The extent of the cover-ups, and the immense difficulty of sorting them all out, lend to the plot a significance that previous De Palma plots have not possessed. Not only that, but the characters act in ways that are not merely the requirements of a preconceived story line; particularly in the case of John Travolta in a new kind of role far removed from the teenage-idol role of the past, the characters actually act in character. In addition, there are traces of genuine feeling in this film: one short scene in particular is so strongly evocative of sadness that in less than one minute our entire conception of the scope and meaning of the film is altered.

At this rate, De Palma will yet succeed to Hitchcock's throne.

• It is with some trepidation that one goes to see yet another horror film in which the main subject is that most misunderstood and maligned species, the wolf. But in **WOLFEN** there is a difference: the wolves are the heroes.

Still, it isn't as simple as that. Wolves do attack people and kill them and do all sorts of things less in accord with wolf nature than with popular wolf superstitions. But in the film they do it all in self-defense: considering the mess that man has made of this planet (at least according to the film), the wolves are only out to reclaim their rightful inheritance and to set things straight again—as it was before the white man's civilization, of which the miles of wasteland in the South Bronx are used as a symbol throughout the film.

Now it gets even stickier. The Indians are allied with the wolves as the just reclaimers of North America. Where do you find Indians in New York? In aerial jobs such as maintaining the Brooklyn Bridge, which now becomes the second symbol of man's deeds. Ignoring the fact that Indians too killed wolves, the wolf-Indian alliance is pushed so far that one Indian claims that Indians can *become* wolves—saying, "It's all in your head"—and endeavors to demonstrate this before our eyes.

The symbolism now becomes even murkier and its implications not very consistent. In view of the tenacity with which the wolves hold on to an abandoned church and other pieces of rubble in the South Bronx, one would conclude that they *want* to have it that way and prefer what man has done here to what man could do to improve it—at least they don't hesitate to kill the man who wants to rebuild it.

Viewed simply as a tale of mystery and terror, this one is quite effective: it is well done and pretty continuously scary and suspenseful. Not one viewer in a hundred is likely to press matters further than that, and in this case ignorance is bliss. This is not the first film that, like Esau, has sold its birthright for a pot of message.

• The most interesting feature of **NIGHTHAWKS** is its dramatization of the contrast between "police mentality" and "terrorist mentality." The New York cop—at least as portrayed by Sylvester Stallone—always gives his man a chance. If the man is a terrorist who is holding a hostage, he spares the terrorist in order to save the hostage. If in doubt whether the man he is chasing will relent or give up, he holds his fire.

But, the film tells us, that's not the way to treat terrorists; they use the police mentality in order to further their own ends. If you spare the terrorist because he has a "human shield" in front of him, he will live to kill a thousand others, so it's one life against a thousand. "You should have got him when you could," his associate (Billy Dee Williams) tells Stallone. It takes time for Stallone to learn his lesson and to be able to place himself in the mind of the terrorist, but, in a startling climactic scene, he does.

"I am the champion of the poor and the oppressed of the world," says the German terrorist (Rutger Hauer) as he holds several dozen people hostage. But as we see him planting bombs in buildings full of innocent people, apparently at random, we discern not the slightest evidence that the poor or oppressed are in

any way aided by the terrorist's activities. The film makes it quite clear that the psychology of terrorism contains no concern for the poor or the oppressed, who are merely window dressing for his exercise of his strongest drive—to destroy for the sake of destruction, to engage in killing for the love of it.

The head of the London antiterrorist unit understands this and is killed because of Stallone's reluctance to abandon his "police mentality." So persuasive is the film in convincing us of this point that the audience cheers once the "fair play" rules of the "police mentality" are at last abandoned. Whether the abandonment of these rules, appropriate enough in fighting terrorism, will then be employed in causes less justifiable, is a question that the film leaves unanswered.

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books

How Big Is Big Government?

The Political Economy of Federal Government Growth.
By James T. Bennett and Manuel H. Johnson.
College Station: Texas A&M University Press. 1980. 151 pp. $12.95/$4.95.

Reviewed by John Goodman

Is the federal government growing in size? The common perception is that it is, by leaps and bounds. Four cabinet-level departments have been created since 1959. New agencies and commissions have been cobbled together to regulate everything from health and safety to environmental quality to wages and prices. Food stamps, student loans, Medicare and Medicaid, and dozens of other social programs have proliferated like rabbits in the last 20 years.

Yet the growth of government turns out to be hard to document. In fact, published statistics suggest that if the federal government is growing at all it's doing so at a snail's pace. The total number of people employed by the government was higher in 1966 than it was in 1978. Government spending as a fraction of our gross national product has shown only a modest increase: from 18.7 percent in 1959 to 21.9 percent in 1978. As far back as 1952, government spending was 20.6 percent of GNP.

The official statistics, then, are in direct opposition to the public perception. Can this paradox be resolved? That is the objective of a new book by Profs. James Bennett and Manuel Johnson, two economists at George Mason University.

The book represents a highly ingenious bit of detective work. Bennett and Johnson have looked beyond the government's official report of its size and found that the publicized statistics bear little relation to reality. Their work represents a landmark effort to gauge the true role of government in our society.

The authors begin by showing that federal employment statistics reflect a great deal of duplicity. For one thing, the official numbers only count full-time employees, excluding anyone who is only working part-time. So each March 31, when the agencies report their employment statistics, they switch thousands of individuals from full-time to part-time status. So pervasive is this practice that these full-time/part-time bureaucrats are known throughout the federal government as "25-and-ones": for 25 of the 26 federal pay periods each year, these workers are classified as full-time, but in the one pay period in which the head count is taken, they become part-time.

The official statistics also count only those who work directly for the government, excluding all who work for outside firms and agencies, only to have some or even all of their salaries paid by the government. In 1979 the Department of Health, Education and Welfare "employed" 144,256 workers. Yet it paid the salaries of almost eight times that many people. The "nonemployees" were people working under government contracts in think tanks, universities, and state and local government.

If the official employment statistics were corrected to eliminate such distortions, they would be much more consistent with the perception people have of the government's actual size. Indirect and part-time employment may bring the number of nonmilitary federal employees up to 10 percent of the civilian labor force, rather than the 2.4 percent that is officially reported.

Government spending statistics also suffer from distortion: they fail to take into account financial commitments whose effects are delayed in time. From 1967 to 1977, the federal government's liabilities (public debt plus interest, checks outstanding, and accounts payable) rose by over 7 percent per year. Obligations such as funds not yet paid and goods not yet delivered grew by 14.5 percent per year. Long-term contracts for goods and services rose 12 percent per year, and contingencies such as insurance commitments, Social Security payments, and other annuity programs climbed 30 percent per year.

Bennett and Johnson show that when these financial commitments are considered, the public's perception of the government is again a lot closer to reality than are the official reports. In 1977, the total of liabilities *not* included in federal expenditure figures was $7.38 trillion—that's 7.38 million million dollars!

Official employment and spending statistics are misleading for another reason too: they fail to reflect the increasing tendency of the government to force the private sector to perform the government's job. Take the withholding tax, for example. By law, employers are forced to become tax collectors for the government. Yet the cost to employers of collecting withholding taxes is not counted as part of government spending.

Over the last 20 years this may be the most important way in which government has experienced hidden growth. Instead of spending dollars, the government simply requires private individuals to spend them. Instead of employing people to do a job, the government requires businesses to employ them.

The total size of this type of government activity is staggering. The authors estimated that the total cost of government regulations was $66 billion in 1976, including $25 million in paperwork costs alone. Individual businesses pay 95 percent of these regulation costs.

Having documented rapid growth as a very real fact, Bennett and Johnson explain the phenomenon: the self-interest of the bureaucrat, self-interest of the politician, and self-interest of the voter are played off against one another in a complex web of give and take. First, the bureaucrat can only rise in power, prestige, and salary if he supervises more employees. The number of employees he supervises will only increase if he is able to convince legislators to appropriate more money for his department. The legislators will only do that if they think such action will be embraced by their own constituents. Therefore, the bureaucrat has an incentive to apportion benefits to specific groups, preferably those which have strong lobbyists and make up a sizable voting block.

The bureaucrat also has an incentive to promote and prolong a crisis atmosphere

(the energy crisis, the health care crisis, the environmental crisis) to ensure that the public is made aware of the agency's importance. He must gain and keep public support for a government program to "do something" immediately. The media often cooperate willingly, because "crises" sell their product, also.

There seems to be a new mood in Washington, this time to "do something" to curtail the growth of the federal government. Yet to carry this mood beyond one budget-cutting session, we must truly understand the nature of this growth. Bennett and Johnson have made an extremely valuable contribution to this enterprise.

John Goodman teaches economics at the University of Dallas and is the author of several books on health policy.

Individuals and Their Differences

Free and Unequal: The Biological Basis of Individual Liberty.
By Roger J. Williams.
Indianapolis: Liberty Press. 1979. 361 pp. $9.50/$3.50

Reviewed by Jane Henson

Are newborn babies essentially uniform products? Dr. Williams admits that this, his initial question, may seem a rhetorical one. Yet in a careful foray into what was a virgin frontier in 1953 when this book was first published, he sets out to present the case against an automatic response in the affirmative.

"My central purpose in writing this book," he says, "has been to stimulate the search for truth, along lines which to me seem compelling. . . . I dare to hope that on the basis of careful examination, the uniformity idea with all of its connotations will gradually become discredited and discarded and that the ultimate acceptance of the nonuniformity idea will greatly strengthen our love of liberty and foster wholesome human relations."

The nonuniformity idea: that "every newborn baby has a distinctive and complex pattern of inborn mental capacities. Each item in this pattern is derived from his human forebears, but the pattern with its interactions is unique." The basis for this conclusion: "(1) common observation, (2) what appears to me to be irrefutable biological evidence, and (3) specific objective psychological findings."

To some, the conclusion must appear startling, says Williams, for the accepted view of the mind of a child is what he identifies as the "lump of dough" theory: each person is born with a mind that is a "lump of dough" to be shaped and molded until the child has been made into a "civilized human adult." This concept of the environmentally created person is commonly accepted by a great body of psychologists, sociologists, social anthropologists, as well as educators, legal scholars, and public figures.

If it is not the variations in individuals' surroundings that explain their differences, what is it? Williams, a biochemist and currently professor emeritus at the University of Texas at Austin, devotes himself to establishing that there are biological factors, known and unknown, physiologically constructive or destructive, that account for many tastes that were at one time attributed to personal quirk and thus subject to change at will. Alcoholism, for example, once thought to be the result either of an inherently addicting effect of alcohol or of a lack of will power, may well be the result of ignoring inborn nutritional variations. (Williams has another book, *Nutrition and Alcoholism,* devoted entirely to that topic.) His exploration of individual differences includes why people describe different tastes for the same chemical and why some people prefer more salt in their diets than others do.

There is even an exercise in which the reader is given a list of activities to be ranked according to personal preferences. There is a discussion of a variety of responses given by others and an "average" list to compare with. Of course, no particular individual matches the average, and that tells us something about individuality. "We will have to learn that 'being statistical' (and interested in averages) and 'being scientific' are not synonymous expressions."

Williams elaborates:

We will have to give up a substantial amount of interest in "the individual," because he is an abstraction, a hypothetical, generalized being with the taint of an assembly line, to whom universal statements apply. We will have to trade off this interest for an interest in individuals. *These are not abstractions; they are real. They are not hypothetical, but actual; specific, not generalized; distinctive, not standardized; and to them relatively few universal statements apply.*

The fact of individuality is largely ignored, laments the author, in our "educational assembly line." Educators pay lip service to children's individuality but do not act accordingly. "We cannot ease ourselves away from educational problems by saying that the differences are 'not *very* important.' If the differences are not very important, then freedom is not very important and the idea of individual worth is not very important."

Individual differences are ignored also by food faddists who, once they have discovered their own nutritional needs, proceed to recommend their dietary practices for everyone "on the assumption that what fits one fits all." The evidence, however, from genetics and biochemistry, is "that each distinctive individual has a pattern of needs that is quantitatively different from that of his fellows. The various chemical processes that take place in our bodies do so with unequal efficiencies (for genetic reasons), and our needs for the various raw materials are quantitatively unequal for this reason."

Along this same line, Williams points out that members of the medical profession frequently fail to recognize and address individual variations in health and disease. The point is brought home in an account of the very personal and poignant events that led to the death of his wife, Hazel, to whom this book is dedicated. "*Individuals and their differences must be studied* before such tragedies as happened in my family can be prevented."

In his explorations, Williams takes up the implications of inborn individuality for the issues of religion, art, war, political systems, culture, and race. His theme throughout is that individual attri-

butes, inborn or acquired, are what count, that any attempt to classify people as superior or inferior according to any generalization is not based on reality but rather on the "lump of dough" model.

In the social and political realms, the results of ignoring individual differences are devastating. "Nothing is a more effective stimulus to hate than the continual imposition of someone else's contrary taste, and nothing leads to this imposition as effectively as a belief that human beings are all alike and that tastes can always be changed at will." This is why the title of Williams's book points to an intimate connection between *in*equality and freedom—a startling insight in our day and one well worth having revived through this LibertyPress reprint.

Jane Henson is the manager of a book store in Austin.

Revolutionary History

Conceived in Liberty. Volume 4: **The Revolutionary War, 1775-1784.**
By Murray N. Rothbard. Westport, Conn.: Arlington House. 1979. 470 pp. $14.95.

Reviewed by William Marina

This is the best volume yet in Rothbard's magnificent multivolume history of the founding of the American republic. He demonstrates that, beyond his skill as an economist and social critic, he also has a grasp of military affairs and can recount that story with clarity and a sense of excitement.

The first part describes the debate over the kind of war the Americans ought to wage. As in earlier volumes, Rothbard is not a great admirer of George Washington, whose notions of warfare were close to European models of conventional war. His hero is the radical Whig Charles Lee. Based upon his experience in Europe, where he had observed Polish partisans in action against Russian forces, Lee advocated the use of militia guerrillas.

Then, Rothbard turns to a theme often absent from histories of the Revolution: that this was a true civil war. While the great majority of the population was pro-Patriot, there were areas such as New York where the Tories were numerous. It became necessary to suppress these Loyalists. Over the long course of the war, some of the bloodiest fighting was between Americans—revolutionists versus those who wished to keep the old order.

In parts three and four, he explores the polarization of opinion both in England and America, which grew as the war progressed and resulted in the Declaration of Independence. The war is traced in part five to a partial stalemate by 1778. Despite various reverses and the dreadful winter at Valley Forge, the Americans had defeated a British army at Saratoga and foiled the plan to separate the North from the South by cutting New York in two.

In part six and seven Rothbard discusses the internal history of the Revolution, culminating in the triumph of radicalism in Pennsylvania and the adoption of the Articles of Confederation, and describes the final part of the war in the South from 1778 to the British capitulation at Yorktown in 1781. During this period the British sought to develop a program of pacification starting from the South, where they believed there was a large number of Tory sympathizers upon which to build a base to retake America. This illusion was eventually shattered, not only in several pitched battles involving partisan forces and militia as well as Continental soldiers, but by the continual harassment by guerrillas that General Cornwallis experienced as he made his way inland into the Carolinas and then retreated through Virginia to the sea.

Part eight covers the political and economic history of the nation from 1778 to 1784. Here, a variety of themes come into play: the land issue in the ratification of the Articles of Confederation, the inflation and price controls, and the resurgence of the nationalist-conservatives led by Robert Morris, whose power, due to his control of finances, was considerable.

Finally, Rothbard assesses the impact of the Revolution, suggesting it was a radical one in such factors as the seizure of Tory lands, the number of Tories who fled, the elimination of feudalism, the beginnings of antislavery, the disestablishment of religion, and the divorce from monarchical Europe. Rothbard's conclusions stand in splendid contrast to some of the "consensus" pap pedaled by neoconservatives such as Irving Kristol during the bicentennial celebration, which glossed over the violence of the civil war and the crucial differences within the revolutionary coalition itself.

Rothbard's sympathy for the partisan warfare tactics of Charles Lee and his criticisms of Washington as a war leader stand in interesting contrast to recent studies by Page Smith, who argues that Lee was to blame for the defeat at Monmouth, and Dave Palmer, a military historian who praises Washington's larger strategy and willingness to engage the enemy. But despite some of his criticisms of Washington's military tactics, Rothbard notes in the last part of the book that it was Washington's antipathy to monarchical notions that undercut the conspiracy at Newburgh and the aristocratic pretensions of extreme conservatives who tried to organize the elitist group of officers known as the Order of Cincinnati.

Curiously, Rothbard, noted for his anti-imperialism and willingness to make moral assessments about historical choices, gives a rather straightforward account of the American "tragic and disastrous failure" to take Canada. It is not altogether clear that he regrets we were unable to do so—a desire of some Americans not only in 1812 but almost into this century. But even if John Adams was incorrect in his view that the first Canadian expedition in 1775 ex-

He pursues a theme often absent from histories of the Revolution: this was a true civil war.

pended men and materials that ought to have been used to drive the British at Boston into the sea, it soon became apparent that the Canadians, Catholic for the most part, did not wish to be liberated by the Protestant Americans.

By 1778, the designs on Canada by some within the revolutionary coalition were a factor in undercutting a last effort at peace, and the war dragged on for three more years before it became evident Great Britain would not concede such expansionist goals. As late as 1780, Lafayette was still trying to organize yet another expedition to take Canada, but the Vermont militia understood the motives for such a venture and foiled it by demanding double pay, double rations, and plunder.

All things considered, however, this is a perceptive and exciting account of the Revolution in all its dimensions. One can only look forward in eager anticipation to the final volume, which will take the story through the adoption of the Constitution.

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Surprising Individualist

Second Wind: The Memoirs of an Opinionated Man.
By Bill Russell and Taylor Branch.
New York: Random House/Ballantine.
1979. 303 pp. $9.95/$2.75.

Reviewed by Charles V. Eimermann

When I turned on the TV one morning and saw that Phil Donahue's guest was a former basketball star, I was a bit disappointed—not being a sports fan. But I decided to leave the set on anyway while I did my morning exercises. I soon discovered that this fellow Bill Russell, renowned former coach/player of the perennial champion Boston Celtics, is no ordinary sports figure. Indeed, he is no ordinary man. He is a truth seeker, possessed of charm, intelligence, and profound insight. His book of memoirs displays these characteristics in abundance.

Beginning with his childhood days in Louisiana, Russell (with coauthor Taylor Branch) takes us on a fascinating journey through his basketball career and beyond, pointing out mileposts in his personal development in a thoroughly entertaining manner. He gives us vivid pictures from his youth, describing, for example, his awe upon witnessing his irritated grandfather knock out a mule with one punch, or telling how his impromptu naps in church were abruptly terminated by a mighty flick to his skull delivered by an unsympathetic oldster in the pew behind.

We learn of Russell's close relationship with his mother, who believed young Bill was destined for something special, and the profound effect her unexpected death had on him when he was 12 years old. He tells us, too, of the strong personalities of his father and grandfather, from whom, it is clear, he learned much.

One can't help but be impressed by Russell's diligent pursuit of excellence as he moves from high school, through college, to pro ball—all the while having a great deal of fun, as his delightful accounts of on- and off-court antics show. Impressive, too is his constant openness to new ideas and experiences, his determination continually to learn about life and himself.

Russell expresses himself on a wide variety of subjects from international relations and the Founding Fathers to King Kong, the Hall of Fame, and autographs (he doesn't sign them). He seldom does something or refrains from doing something without having reasons. Constantly on guard against allowing his personality to be shaped by events, Russell comes through as an uncompromising proponent of self-responsibility, steadfastly pursuing "a life of principles."

Though a man of considerable pride, Russell is nonetheless capable of laughing at his shortcomings and inviting the reader to do likewise. He tells of "two bizarre fears" regarding his first wife, Rose: the first, that he would be unable to open a jar for her; the second, that she would ask him a question he couldn't answer. Regarding the latter Russell writes, "I could never figure out what would lie on the other side of that moment, and I didn't like to think about it because it made me feel fragile."

We are given glimpses of the ugly face of racism as well as triumphs over it. It's difficult to keep one's eyes from misting up as one reads of Russell's grandfather weeping with joy at the sight of white and black players showering together after a game and telling the story over and over to astounded listeners back home. Russell follows this account with one of many perceptive comments: "My grandfather was overwhelmed by what he'd seen and what it meant, my father was grateful for it, and I, the young ornery one, was looking way past the showers to the dark corners where I saw bigotry still hiding."

In a chapter titled "Freedom," Russell reveals an understanding of freedom and its detractors that one seldom encounters outside of libertarian literature. For example: "I've noticed how often people are irritated when someone else practices freedom. It upsets them, and they fall all over themselves to stop someone from doing whatever it is that *they* don't like. They try intimidation, and if this doesn't work they'll use rules, laws and even guns."

The authoritarians who insist upon treating the rest of society like children don't fool Russell: "Whenever I sense someone speaking about somebody else with a parental attitude, I figure somebody's freedom is about to be attacked. It doesn't matter whether they're kind or stern parents; the parental mind-set paves the way for them to deny somebody else's rights."

Unlike many who feel threatened when others live by values that differ from their own, Russell considers nonconformists a natural and interesting part of a free society. "Of course you'll find oddballs and bizarre doings wherever freedom is practiced," he writes. "That's part of the idea."

But what about the children being exposed to all of this? It's not right, he feels, to hide things from his children. "I have too much respect for them to do so. My duty to them is to love them and to help them interpret the world so that they will be able to make free choices and act on them." The best medicine for his worries about his children is, he says, "in their strength and independence, not in their ignorance."

There are many more fine thoughts as well as amusing anecdotes in this excellent book, but you'll have to read it yourself if you want to hear them. Bill Russell is an individualist extraordinaire who takes the reader into his confidence and reveals himself in a sensitive and serious, yet engagingly light-hearted, way. Libertarians and Mr. Russell are kindred spirits. They should make each other's acquaintance.

Charles Eimermann is a lithographer.

Creative Philosophizing

Mortal Questions.
By Thomas Nagel.
New York: Cambridge University Press.
1979. 213 pp. $29.95/7.95.

Reviewed by Wallace Matson

Despite alarming symptoms of massive cardiac hemorrhage in the author—runaway palpitations over Vietnam, a blind spot toward reverse discrimination, terminal equalitarianism—this book is a notable contribution both to philosophy and to literature.

It happened to be at hand when I had to pick a text for a writing course. I chose it for the variety of subject matter and the exemplary writing—nary a *hopefully*, a *different than*, or a feminist pronoun. So then, teaching from it, I reread most of it three or four times. It grew on me. I perceived that the author has given the clearest and most persuasive expression I know of to an illuminating and disturbing insight.

The first 13 chapters are self-contained recycled papers ranging from "Death," "The Absurd," "Sexual Perversion" (mistitled: its high point is a hilarious description of the philosopher scoring unpervertedly in a singles bar), and "What It Is Like to Be a Bat." But in the

concluding essay, here published for the first time, we suddenly see that this omnium-gatherum really does have a unifying theme: the irreconcilable opposition of subjective and objective views of things. (*Subjective* here referring to the viewpoint of the conscious subject; *Objective*, to externality).

The author begins by reviewing five perennial problems of philosophy discussed earlier at greater length:

• *The meaning of life.* From within, some human pursuits can be justified in terms of others, but the significance of life as a whole cannot be questioned. Nevertheless, when we regard our lives in detachment from our purposes, they seem absurd and pointless.

• *Free will.* Determinism has always been regarded as a threat to it. But then so is the absence of determinism: random uncaused behavior would be no more free than if compelled or constrained. The trouble is that an action viewed from outside becomes something that *happens*, whether as effect of cause or as random event; no room is left in the picture for someone's *doing* it. And with respect to moral responsibility the malefactor, objectively viewed, becomes "just a disastrous part of the whole"; the concept of blame loses its footing. Yet we find ourselves unable to operate without it. (Consider the attitude of liberals toward unpunished "bigotry.")

• *Personal identity.* Neither bodily continuity nor memory seems an adequate criterion, since the question can always still be asked, "But will that (future) experience be *mine*?"

• *Mind-body.* Even for a dualistic theory, the problem remains of what mental states are like for the creatures that have them. How can the world contain, objectively, substances that have subjective properties?

• *Consequentialist* (good-and-bad-outcomes) versus *agent-centered* (right-or-wrong-deeds) *ethics.* To say that you ought to do *X* seems, objectively, the same as the claim that *X* ought to happen. But from *my* point of view, would that be right, in the context of *my* agency and the lives affected by me, each with its own rights?

Objective and subjective viewpoints, Nagel admits, are poles of a continuum. The subjective being immediate and naive, realization of one's own contingent biases exerts pressure toward taking a more external view, which can only be attained by "using a specially selected part of oneself for the purpose." In doing so we try to get away not only from our particular viewpoint but even from the human or mammalian. "The true view of things can no more be the way they naturally appear to human beings than the way they look from here." Objectivity requires a transcendence of self different from that of getting into the other fellow's shoes. Commendable as it is in physics, problems arise when objectivity encounters subjectively revealed facts or values that it cannot accommodate.

Surveying the stratagems employed by objectivist philosophers to reduce, eliminate, or annex the subjective, Nagel finds them all unsatisfactory. In effect, he throws up his hands: "There is no single way things are in themselves." The objective view of things is *essentially* only partial. But to subjectivize *everything* doesn't work either: "Even if not everything is something from no point of view, some things are."

The importance of this essay and thus of the book lies not in this pessimistic neodualism but in the suggestion (which Nagel does not explicitly make) that *the* aim of philosophy precisely is to make sense of this pair of terms. To see the mind-body problem and libertarian-versus-socialist as aspects of the same underlying perplexity can come as a revelation.

In "Physicalism" (1965), a paper not reprinted in this volume despite its celebrity, Nagel advocated, albeit reluctantly, a classically objective reductionist metaphysic. Thus, he possesses the uncommon ability to change his mind. One may hope, then, that in time he will come to appreciate the implications of his new insight for his social philosophy, whereupon he will cease writing dumb stuff about "the great injustice of the smart and the dumb, who are so differently rewarded for comparable effort" and yearning for a practical way "of divorcing professional status from social esteem and economic reward."

He may come to realize that equalitarianism, whenever it is motivated by anything beyond envy and boozy sentimentality, derives from a one-sided objectivity that can make no sense of the difference between doing and happening—the galactic view that looks on life as nothing but a succession of opportunities for titillations and concludes that justice must maximize and equalize the trips to Hawaii, the orthodontics and the orgasms, with no regard to what it is like to be a bat or a philosopher planning and striving to compass material ends—out in the objective world. Nagel is one of the smartest philosophers around. It will be interesting to chart his progress.

Wallace Matson is a professor of philosophy at the University of California, Berkeley.

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letters

(Continued from p. 10.)

how "he has personally 'destroyed the White Paper on El Salvador'" and reports of an interview in the Los Angeles *Herald-Examiner* (July 1) where he refers to "news dispatches...in the *Wall Street Journal* and the *Washington Post*" and claims that "all of this reporting was based on my analysis of the State Department's White Paper—published in February." Is he lying now about his influence but not about the "truths" in his original analysis—or both? Is it only the government which is lying? Or are there shades of mendacity with everyone? (Sounds a little like the old syllogistic saw: Socrates says all Greeks are liars; Socrates is a Greek....)

And what about the State Department's rebuttal, released June 19? *Human Events* claims that "the *Post* buried an incomplete story on the rebuttal on page 29" while "the *Journal*, on the other hand, has refused to carry a word on the rebuttal" (more reminiscent of something out of *The Spike*; the *Wall Street Journal* no less!).

Several points: (1) One supposes that communists and their ilk may, on occasion, utter the "truth" (e.g., "The earth is round," or Mr. Agee's publishing of the identity and whereabouts of one station head Welch—this "fact" quite likely was true enough, as Welch was duly murdered by terrorists...in Greece). (2) Perhaps the thing most apparent in all of this is that Mr. Poole could stand to dig a little deeper still before he so hastily utters any more claims to gullibility. And (3) as a new subscriber (that was only my

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second issue), is it un-Reason-able to expect as much of your highly touted contents?

Kenneth L. Mathias
San Angelo, TX

Mr. Poole replies: A quite thorough response to the charges made by *Human Events* and Accuracy in Media was made by Frederick Taylor, executive editor of the *Wall Street Journal,* on that paper's editorial page on August 21. The essential points are these: (1) The first published critique of the White Paper was by John Dinges in the *Los Angeles Times* on March 17; Dinges says he prepared it independently of Agee. (2) Agee issued his 46-page critique on April 9. (3) The *WSJ*'s Jonathan Kwitney used a number of sources, including those two, but relied heavily on an interview with Jon Glassman, the State Department analyst who compiled the documents discussed in the White Paper. While Mr. Glassman admitted to Mr. Kwitney that some of the White Paper's conclusions were based on "guessing" and "extrapolation," he continues to defend the White Paper's overall conclusions, falling back on classified documents for support. Thus, it is difficult to make an accurate assessment of where the truth actually lies. My comments on Mr. Childs's letter did indeed rely on Mr. Kwitney's *WSJ* article, which seems to have been carefully researched and hardly an instance of KGB disinformation.

(Other) Impressions of Guatemala

I was keenly interested in Tibor Machan's "Impressions of Guatemala" (Aug.), having lived there in my early childhood and visited there once again last February. I too visited the Universidad Francisco Marroquín, a fine example of private education. I was told that the university is having a positive effect on the country through example and education, rather than any political involvement.

I concur with Machan's general impressions, but there are a couple of points that could be commented on.

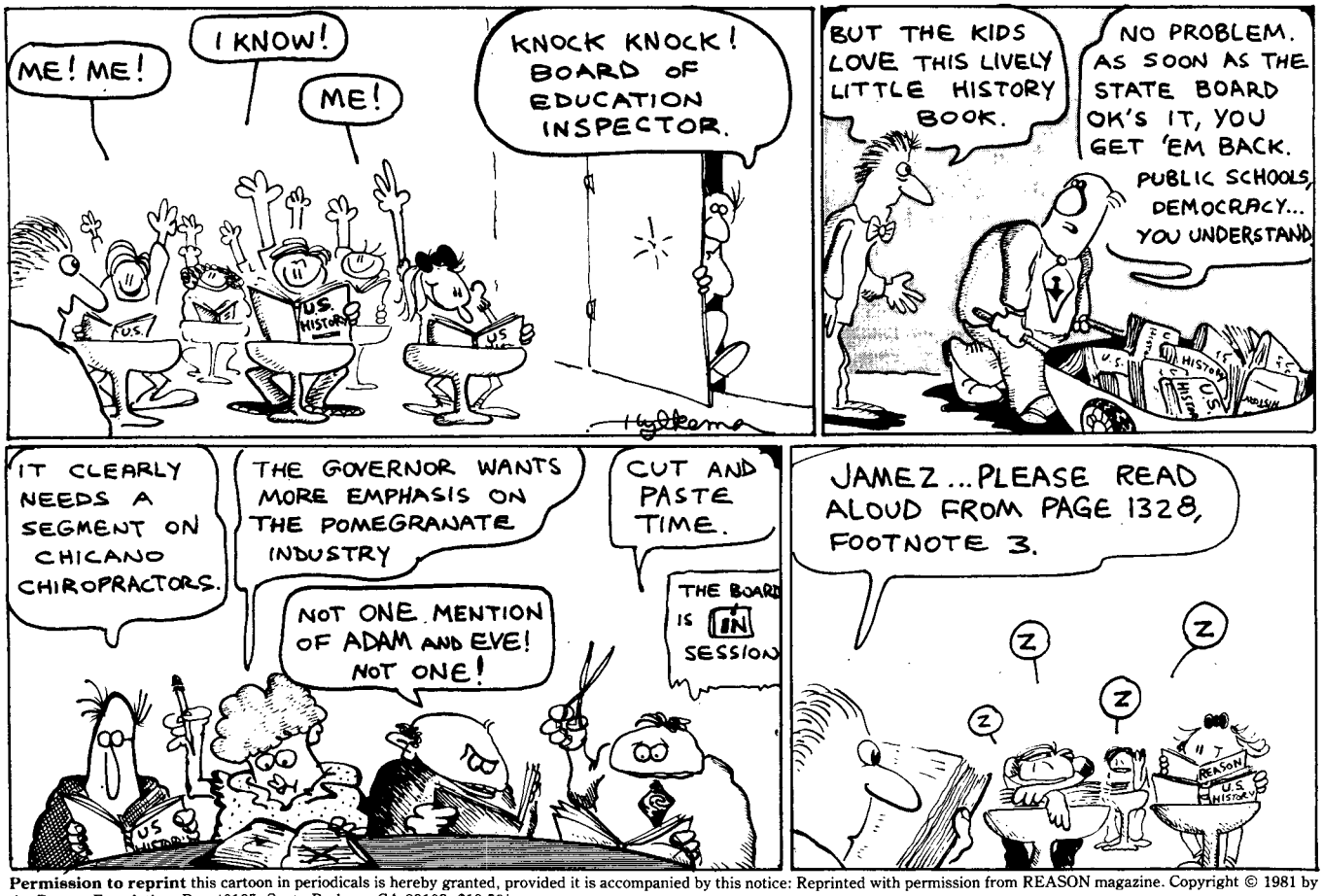
I think the use of the term *superstitious* to describe the Mayan Indians is unfortunate. Superstitious in what sense? The Indians have retained a pride in their Mayan heritage. I once gave an old, crippled Indian woman some money, and in return she offered a prayer and a blessing—keeping a sense of dignity even in her pitiful condition.

Though we too received warnings of danger before leaving for Guatemala, strangely enough we felt very safe in the country. Most of the violence is directed at particular targets, and the general visitor is not really in danger. In fact, we walked around Guatemala City late at night with no fear of being attacked. Tikal, where the largest Mayan ruins are located, is one of the safest jungle places in the world. The violence between the right and left forces is a startling contrast to the reserved and peaceful nature of the Guatemalan people themselves, who are among the sweetest people on earth.

Fred Foldvary
Berkeley, CA

rudebarbs

Randall K. Hylkema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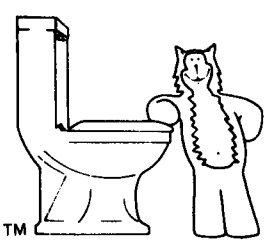

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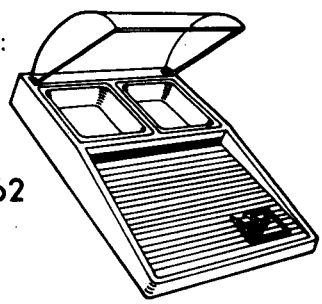

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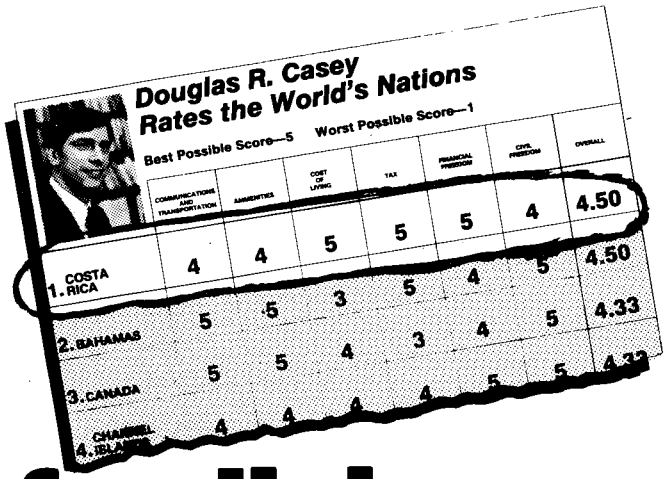
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In the opinion of our tax counsel, the seminar meets the new IRS test for holding a seminar abroad, and the expenses of attending — the registration fee, travel accommodations and meals — qualify as deductible expenses, provided that the principal purpose of your travel is business or investment related.

How to register.

The seminar admission fee is $325 for the first registrant, and $275 for each guest registered with you.

To register, please send a $100 per person deposit to Transeair Travel, Dept. 2510 , 4710 41st St. NW, Washington, DC 20016. (To charge your Visa, Master Charge or American Express account, include the card name, number, expiration date and your signature.) Please include both your business and home phone numbers. If you prefer, you may phone in your reservation and credit card deposit by calling the Costa Rica Seminar Coordinator at (202) 362-6100. The balance will be payable by October 31. If you cancel, the deposit is refundable until that date.

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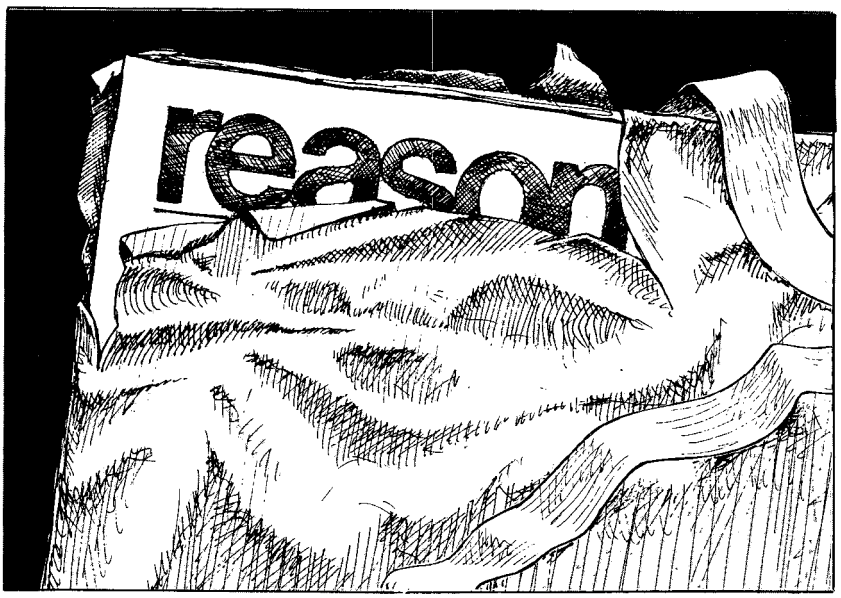

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